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**SOME ISSUES ON THE RELATIONSHIP BETWEEN A CO-  
OPERATIVE SUPPORT ORGANISATION AND ITS  
CLIENT CO-OPERATIVES**

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An M.Phil. Thesis on Co-operative Development:  
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## **Some Issues on the Relationship between a Co-operative Support Organisation and its Client Co-operatives**

Tony Emerson

### **Abstract**

The distinction between 'top-down' and 'bottom-up' approaches to co-operative development is critically examined. In the context of evaluating the effectiveness of co-operative support organisations (CSOs), the problems associated with both approaches are analysed, and are found to be very similar. The key problem identified is the management of the relationship between the CSO and its client co-operatives.

The problems of the management of this relationship are elaborated in a detailed case study of the management problems encountered in the development of a textile co-operative.

It is argued that 'top-down' is a misleading label because it fails to distinguish between initiating and controlling, and that the term 'pro-action' is more useful, as it implies initiation by the CSO, but that the CSO can then involve the client co-operative in decisions about objectives.

As CSOs strive to be more pro-active, more selective in whom they work with, and more resource-conscious and effective, it is argued that effective development work requires clearly set objectives, responsible resourcing in relation to these objectives and an implementation strategy.

Related to the issue of pro-action, the 'contracting' approach is advocated as a basis for understanding and managing CSO-client relations. Its advantages and implications are discussed, particularly in relation to the skill needs of development workers.

CONTENTS	PAGE NO.
Introduction	3
Acknowledgements	5
CHAPTER 1: History and Background of Co-operative Support Organisations in the UK	6
1.1 Worker Co-operatives	6
1.2 Co-operative Support Organisations (CSOs)	8
1.3 Objectives of CSOs	9
1.4 Summary	10
CHAPTER 2: The Development of Thinking on the Co-operative Development Process	11
2.1 Introduction	11
2.2 The 'Top-Down' Approach	11
2.3 The 'Bottom-Up' Philosophy	13
2.4 Limitations of the 'Bottom-Up' Philosophy	16
2.5 The Support Relationship and the 'Drama Triangle'	21
2.6 Some Other Issues in Enterprise Development	24
2.7 Conclusion	29
CHAPTER 3: Evaluation Criteria and Evaluation Studies of the UK Co-operative Support Organisations	32
3.1 Introduction	32
3.2 Effectiveness of CSOs	32
3.3 Evaluation of the Process of CSO Work	40
3.3.1 Local Authority Strategic and Funding Bodies	41
3.3.2 Evaluation of Local CSOs	43
3.3.2.1 Services Offered	43
3.3.2.2 Process of Working with Groups	45
3.3.2.3 Internal CSO Organisation	47
3.4 Summary	48
CHAPTER 4: Neighbourhood Textiles: A Case of 'Top-Down' Development?	50
4.1 Introduction	50
4.2 The Steering Group's Role in Founding the Co-operative	51
4.3 The Failure to Take Remedial Action	54

4.4	The "Co-operative Structure" and the Problems that Arose	56
4.4.1	Co-operative Structure - a Liability?	57
4.4.2	The Co-operative as an Unused Asset	62
4.5	Co-operative Structural Problems - and the Issue of 'Top-Down' Intervention	67
4.5.1	Clarification of the Term 'Top-Down'	68
4.5.2	Problems with the Approach of the NT Steering Group	71
4.6	Conclusion	73
CHAPTER 5:	Towards More Appropriate Approaches to Agency-Client Relations in Co-operative Development	75
5.1	Introduction: the Argument so Far and the Aims of the Chapter	75
5.2	Requirements for Effective Co-operative Development Work	79
5.3	Contract Negotiation	84
5.3.1	What Contract Negotiation Involves	84
5.3.2	Why Contracting	86
5.3.3	Possible Problems and Further Implications of Contracting	89
5.4	Summary and Conclusion	95
Appendix 1: The Story of Neighbourhood Textiles		
Appendix 2: Intervention Styles		
Appendix 3: A Model for the Development Worker as Process Consultant		
References		

## Introduction and Aims

This thesis is the final phase of a Master of Philosophy project undertaken at the Open University Co-operatives Research Unit.

Chronologically, the steps in the research project were as follows:

1978-80: My involvement in a Steering Committee of a community group setting up a workers' co-operative - one of the first of the 'new wave' co-operative projects in the U.K.

1981-83: Following the commercial failure of the co-operative, research into the causes of this failure (including interviews with some of the main participants - workers, managers and development workers) leading to publication of the case study "The Study of Neighbourhood Textiles".

1983-85: Preparation of the Study Guide to the Story of Neighbourhood Textiles - an attempt to use the experience of Neighbourhood Textiles for education and training in co-operative management, and draw out detailed learning points from it.

1984-87: A study of the co-operative development and support process in the U.K. and abroad, based mainly on written publications though referring also to my experience in training and development in this area; the study included a comparison of the development process adopted by the Steering Committee developing Neighbourhood Textiles with other thinking and experience on the development process; and lastly it attempted to derive some principles concerning the relationship between a development or support organisation and its client co-operatives.

A unique feature of this research was that it virtually spanned the life of the area being researched - i.e. the development of worker co-operatives and of co-operative support organisations, which only commenced in the late 1970s and proceeded at a very rapid rate in the early 1980s (see Chapter 1). So too did my research aims change and evolve over this period - particularly because as an external student I was only able to devote time to the research intermittently. Furthermore, the fact that I was actually working in a related field (in management training for co-operative and community development) and involved politically in this field (as chair of a local authority employment subcommittee 1979-82) meant that my ideas on research priorities were constantly changing. These

ideas were further modified and developed in discussion with my research supervisor and his colleagues at the Co-operatives Research Unit.

The net result was less of a focus on the detail of co-operative management practice, as was originally intended and as is reflected in the Case Study and Study Guide. It was felt that the learning from this could be fairly directly applied in various types of management training and distance learning programmes.

The focus moved more to the process of co-operative development and support - in interaction with various concepts of co-operative management decision-making structures; research being published in the mid-1980s (and my own experience) suggested that this area was a matter of great controversy and practical difficulty.

Hence the research emphasis during the latter period, 1984-87; this led to the following research aims:

- 1) To analyse the development of co-operative support organisations (CSOs)\*, the practices they have adopted and their underlying assumptions and philosophy.
- 2) To evaluate the performance of such CSOs.
- 3) To analyse the development process undertaken in Neighbourhood Textiles in the context of what has been learnt elsewhere and of current (1987) thinking on the development process (as well as in the context of the outcomes in the enterprise itself).
- 4) To derive some principles about good practice in the relationship between a CSO and its client co-operatives.

Lastly, while research from other countries is used and referred to, the geographical emphasis of the research is on the U.K. - with a particular emphasis on London and the South East where certain particular economic and social factors are important (see Chapter 3).

Similarly, while I use and refer to research on the development of other types of enterprise, the essential focus is on the worker co-operative development process.

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\* I intend to use the phrase Co-operative Support Organisation (CSO) to denote all types of co-operative and development agencies. The term Co-operative Development Agency (CDA) will only be used in quotation.



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## CHAPTER 1

### HISTORY AND BACKGROUND OF CO-OPERATIVE SUPPORT ORGANISATIONS

#### IN THE UK

##### 1.1 Worker Co-operatives

Mellor, Stirling and Hannah (1986) provide a simple definition, 'Worker Co-operatives are businesses that are owned and controlled by their members. Most of them are registered as Friendly Societies under model rules of the Industrial Common Ownership Movement (ICOM) which limits individual shareholding to one pound sterling and restricts membership to those who work in the co-operative. Decisions are to be taken on the basis of one person, one vote; although decision-making may be delegated to a management committee with a minimum of five members.'

Macfarlane (1986) using figures from the worker co-operative data base, estimates that there were 676 co-operatives in Britain in 1985 (in 1975 there were only about 20), employing about 5000 people full-time and 4000 people part-time, but roughly half of this employment is accounted for by five large co-operatives 'some dating from the last century and some being endowed to their workforce by philanthropic owners'. 226 co-operatives were in London and the South East of England.

The Co-operative Advisory Group (CAG) (1986) estimates that 450 co-operatives were trading in London between 1981 and

1986 at some stage. Numbers have grown from about 50 in 1981 to about 300 in 1986 - but there was little growth in the last two years (mid 1984 to mid 1986) of this period.

Most co-operatives (according to Macfarlane) are in trade sectors that require relatively low levels of capital investment. Cornforth and Lewis (1985) estimate that 90% of co-operatives being formed start from scratch as new businesses - the majority of these are very small with less than five workers. The remainder are either 'rescue' or 'phoenix' co-operatives (formed out of failing conventional businesses) or conversions from active businesses.

But 'statistics about co-operatives are of doubtful quality', according to Macfarlane. Information about numbers of co-operatives are largely based on registrations. Some registered co-operatives may be 'idle' or not trading. Many are engaged only in marginal trading; To illustrate, one of my students is in a mobile catering co-operative, officially registered but only doing occasional functions. Take home income is about 1,000 pounds per member per annum. Information about economic performance of co-operatives (eg. income per member) is difficult to obtain, as is referred to in Chapter 3.

The great majority of co-operatives (but not of co-operative employment) probably owe their origin to the 'New Wave' co-operative movement which started in the 1970s in the UK. This

movement was a response to concern both about the quality of working life and about growing unemployment.

## 1.2 Co-operative Support Organisations (CSOs)

The first local CSOs were set up in Scotland in 1976 and in West Glamorgan in 1978 (Thornley 1981). The first in London was in Lambeth in 1979. All were set up by local activists and organisations - voluntary organisations, individual activists, representatives of trade unions, retail co-operative societies, worker co-operatives, housing co-operatives etc. They first existed as voluntary groups before obtaining public funds to employ full-time development workers (Cornforth & Lewis, 1985). They usually cover the geographical area of a sponsoring or a funding local authority - eg. boroughs in London (Lord, 1986).

The campaign to form local CSOs was initiated and assisted by activists such as Taylor of the Socialist Environmental and Resources Association, by the newly formed National Co-operative Development Agency and by the Co-operative Union. By 1984 there were 80 local CSOs of which 50 had full-time staff. 36 of these were independent local CSOs; 4 were regional bodies; 10 were local authorities that employed co-operative development workers directly (Cornforth and Lewis).

CAG (1986) estimated that there were at least 26 local co-operative support agencies in London by 1986, employing 90+ full-time equivalent workers.

Politically (according to Cornforth and Lewis) 'the majority of support has come from Labour controlled authorities, who, concerned with high levels of unemployment, have been developing strategies to stimulate their local economies' (though since the abolition of the GLC at least two non-Labour outer London boroughs have taken over funding of local CDAs).

Macfarlane (1986) identified a number of areas where the initiative for co-operative support organisations comes from within the local authority rather than from voluntary organisations - eg. Haringey (London), Sheffield, West Midlands.

### 1.3 Objectives of CSOs

CAG have found that CSO's overt objectives were governed by the funding bodies - eg. the GLC specified work with women, ethnic minorities, disabled people. Informally, they found, objectives were influenced by client groups, and by skills, interests and backgrounds of staff. They found little evidence of Management Committee influence on objectives, except during initial stages.

Macfarlane also found that most CSOs targeted disadvantaged groups (unemployed people, women, ethnic minorities). He also found that authorities such as Sheffield, and West Midlands, which directly initiated co-operative support work themselves, put greater emphasis on commercial viability.

CAG, Lord, and Macfarlane all pointed to weaknesses in the process of setting clear objectives and maintaining performance, in co-operative support organisations of all types (see Chapter 3). Lord related this problem to the informal management styles generally adopted by independent CSOs.

#### 1.4 Summary

In summary, CSOs have grown very rapidly in the first half of the 1980s. They are largely (but not exclusively) independent voluntary organisations, funded mainly by Labour local authorities concerned about unemployment, economic decline and equal opportunities, and generally adopting fairly informal management styles.

## CHAPTER 2

### THE DEVELOPMENT OF THINKING ON THE CO-OPERATIVE DEVELOPMENT PROCESS

#### 2.1 Introduction

In this section the development of thinking on the co-operative support process in the early 1980s is critically examined and comments and comparisons from other countries, and from other types of development agencies, are made.

This is a largely historical commentary, drawing on observations made during that time, rather than on the systematic analysis made by the major evaluation studies (see Chapter 3), save where these studies provided factual background or descriptive commentary.

During this period discussions of co-operative development often utilised a distinction between 'top-down' and 'bottom-up' philosophies. The perceived advantages and disadvantages of these contrasting approaches are a starting point for discussion. Thereafter a number of issues which cut across this distinction are considered.

#### 2.2 The 'top-down' Approach

This approach was generally not favoured by the first generation of co-operative development workers and agencies. An exception

was the Wandsworth Enterprise Development Agency ('WEDA'), set up in 1980 with a brief to develop common ownership industrial co-ops. It adopted the following strategy according to its publicity brochure. First it was to establish gaps in local markets and second, develop feasibility studies for new products or services to fill these gaps; then it was to 'find suitable people for these new jobs' and 'ensure the necessary training' was provided; from then on, it was to 'assume an on-going advisory and monitoring role throughout the enterprises' association with WEDA'. Such an approach is called 'top-down' since the agency initiates the project and then seeks a group to carry it out. The enterprise starts not with would-be co-operators coming forward from the community as initiators themselves but with the agency; and its role is virtually managerial, or, at least, it starts on that basis and works 'down' from there.

It was questioned whether WEDA's approach worked in practice. Pollard has claimed that the only co-ops actually set up through WEDA were by people who had their own ideas for a business in the first place.

It is difficult to find other examples of agencies or commentators advocating the 'top-down' approach so openly during this period. (Some more recent, unpublished, reports suggest that the Scottish Co-operative Development Committee and the



Greater London Enterprise Board may be adopting elements of this approach.) But the early thinking towards 'top-down' was well expressed at a co-op development conference in 1981, where reservations were expressed about not operating 'bottom-up' (in a discussion led by Berry and Mahoney). Having feasibility studies on the shelf ready to 'dole out' to new co-ops was not thought a good idea, and the fear was expressed that if development workers became fully involved in the co-ops as managers, problems of dependency would result.

In essence, the limitations of the 'top-down' approach can be expressed as the following:

1. People will not come forward readily to fit themselves into ready made plans.
2. A problem of dependency arises in co-ops where development workers take a very directive, interventionalist role rather than a re-active, non-directive role.
3. A problem of psychological ownership can arise - the members not really feeling it is their project.

### 2.3 The 'bottom-up' Philosophy

The 'bottom-up' philosophy denotes an approach whereby the agency should work with actual or potential co-operators only; the initiative and responsibility of forming and running a co-operative lies entirely with its members. The development workers should respond to the needs of the client group as stated by the client group; and the development workers should help the client group with advice and technical support (to

help themselves) and generally help them to do things for themselves.

Oakshott (1978) argues that 'the main thrust to get the enterprise off the ground must come from the potential workers themselves' and that no new enterprise should be set up without this being the case. He cites the Mondragon Caja Laboral Popular and the Polish Co-op Development Agency as insisting on this being the case and insisting that the potential workers must be fully involved in the development process (as we discuss later, though, both the Mondragon and Polish agencies go far beyond responding to presenting needs).

Linehan and Tucker (1983), in the Irish context, argue similarly that 'workers' co-ops are self-help organisations and the initiatives for setting them up ideally should come from those who will be themselves worker members ... They will probably need advice and support from various professional people and agencies, but the primary effort must come from themselves'. I have emphasized the word 'ideally' since their use of it might suggest that they believe that in reality something more might be required than advice and support for 'bottom-up' initiatives.

Lord (1986) and Cornforth and Lewis (1988) found that the great majority of UK CSOs adopt a facilitative, non-directive, 'bottom-up' approach. Lord quotes Islington CDA: 'The principle

under which we operate is that we mobilise people to develop their own skills, and provide a framework to develop their proposals'.

In Pollard's (1983) words, 'most CDAs have chosen the "from the 'bottom-up' approach working with members of each co-operative to develop their own ideas, rather than doing the work for them.' Milford (1983), in a survey of CDA workers, found that the younger and more radical workers had a definite view that they would only assist groups who came to them. We see in these quotations a strong hint of the libertarian, anti-authoritarian philosophy to which Lord refers.

These comments can be summarised into a model of interaction between the potential co-operators and development worker in 'bottom-up' initiatives where the roles of the respective parties are as follows:

« Potential Co-operators

to initiate

to take full responsibility for the development

to share fully the ownership of the development between themselves

to be in control of the interaction with the development worker

Development Worker

to inform

to advise

to respond to the expressed needs of the co-operators

to work with the groups

to be supportive to them

#### 2.4 Limitations of the 'bottom-up' philosophy

The problems of this approach can be illustrated by a case from a development worker in a London agency (the source is an unpublished action plan report from a student). There were seven people involved in a particular client group, two of whom came to her for help. All seven were never actually together for a meeting. They were not clear whether their proposal - a leisure activity - would be commercially viable, or whether it should be a community service with a subsidy from a public authority. Different people from the group communicated with the development worker at different times. There was quite a lot of conflict in the group. Some members, she felt, were scapegoating her for failure to get any grant money for them so far. Yet, she had arranged a meeting with a funding body representative and only two members had turned up on time - two others arrived thirty minutes late. She felt that no progress was being made and she did not know where she stood as their development worker.

I use this example to illustrate the limitations of relying on the approach of supportive response to a client group's needs, especially where the client group is sizeable, disorganized and suffering from internal conflict. Had this development worker merely worked by the 'bottom-up' philosophy, there would have been little hope of achieving much; had she demonstrated a supportive response towards one or two members who approached her, her reaction may well have been misinterpreted by other members and she may well have found herself drawn into the

internal conflict of the group.

(On the other hand, had she taken the 'top-down' approach, and procured funding for the group, the group would probably have remained un-self-organized and unsuccessful. This would have been bad for the agency's credibility. If the group had achieved nothing for itself, by its own efforts, it would have become increasingly, rather than decreasingly, dependent upon the agency.)

Neither approach, therefore, seems suitable in this kind of situation. Yet it is probably not a rare situation for a client group and development worker to find themselves in; it is difficult for a client group, at the outset, to be so informed, so well organized and so cohesive as to know what it wants from the agency and to be in control of the interaction, and even more difficult if a sizeable client group is involved. For a 'bottom-up' approach to have a chance of success, the client group would need all these qualities.

Another inherent problem in the 'bottom-up' philosophy is that it relies on the motivation of the initial workers. But there will, almost invariably, be later recruits. It is very difficult for a large enough group with the right mix of skills etc., to get together and form a co-op. The best that can usually be hoped for is that the co-op be the brainchild of two or three people. Either before they commence trading or

later new people will have to be recruited: people who by definition will not share in the psychological ownership of the project. For these latter workers - probably to become a majority in time - it may make little difference whether the co-op was initiated by colleague workers or 'from above'; they are still going to have to adopt someone else's baby. And yet, skills, motivation, psychological ownership will have to be fully shared with them if the enterprise is to succeed.

The problem appeared in Wajcman's (1983) study of Fakenham: the later recruits did not seem to share the motivation of the initial members. Oakshott's discussion of his own 'bottom-up' philosophy also illustrates this dilemma. Referring to the Sunderlandia Builders co-op (which eventually folded) he argues: 'as the person mainly responsible for initiating the experiment, clearly I, rather than the building tradesmen, must take the main responsibility for the poor results that followed.' The tradesmen were later recruits in an enterprise which Oakshott initiated. They voted Oakshott off the board and voted themselves higher wages than they could economically justify. Yet Oakshott appears to be denying their full responsibility, which is a form of paternalism and inconsistent with the 'bottom-up' philosophy. It seems that acknowledging the responsibility of later recruits, and preparing them to take that responsibility, seems to demand a form of intervention beyond what would be acceptable to the 'bottom-up' philosophy as described so far.

Thirdly, it is difficult for the CSO or agency to hold back from more active intervention. It is not surprising (for a reason argued later) that there are instances where a development agency, whilst espousing the 'bottom-up' approach, have found themselves going beyond it. Brent CDA (annual report 1981), for instance, espousing the 'bottom-up' approach, sets out as its objectives to 'act as a source of assistance and advice ... and a means of access to specialist skills' and generally to help people do things for themselves; Yet in relation to one co-op project, the report elaborates: '...the document supporting the Urban Aid application (which was written by Brent CDA)...'. Clearly, Brent CDA had found itself, in writing the report, going beyond the objectives stated above. This is surely because new groups very often cannot be organized to the required level, and furthermore the agency is under pressure at all times to achieve results. It had to do things for the co-op itself.

A good reason for the development agency not to 'hold back', but to intervene, is that the interests of the development agency are at stake. Returning to Mondragon Caja Laboral Popular ('CLP'), Oakshott (1978) and Burridge (1984) both describe the systematic, detailed involvement of the CLP in the affairs of the co-operatives it supports. It does a feasibility study, involves itself in the choice of managers, location, premises etc., appoints a 'godfather' to monitor progress. Burridge remarks that 'as the CLP can only invest in co-ops, it is obliged to take other measures to protect

its loans' (other than spreading its risks as other banks do). This necessitates a very firm contract between the CLP and the co-op: an annual agreement between the co-op and the CLP on targets and objectives; regular reports on progress made by the co-operative to the CLP which are audited; reviews of progress by both parties with the CLP maintaining the ultimate right to replace existing management in cases of impending disaster. Lord found that other European CSOs - in Italy, for example - adopted a similar approach.

Thus, the CLP, once satisfied that a group of initiating workers are taking the initial responsibility, then goes far beyond 'reacting' or 'being supportive'. It has a very clear idea of the processes an embryonic co-operative has to go through; it takes steps to ensure that it goes through these processes; and it will put in its own management if it is not satisfied with the results.

Arguably, a development agency is in a similar position. Though it does not give grants or loans directly, it still needs to protect its 'investment': the limited time of its staff; its reputation and the reputation of co-ops generally (failure leads to lack of confidence in future co-operatives); public or institutional money invested in the co-operative which the agency may have helped to negotiate (either for specific client groups or for co-operatives generally). However, development agencies in the UK are less well placed when it comes to



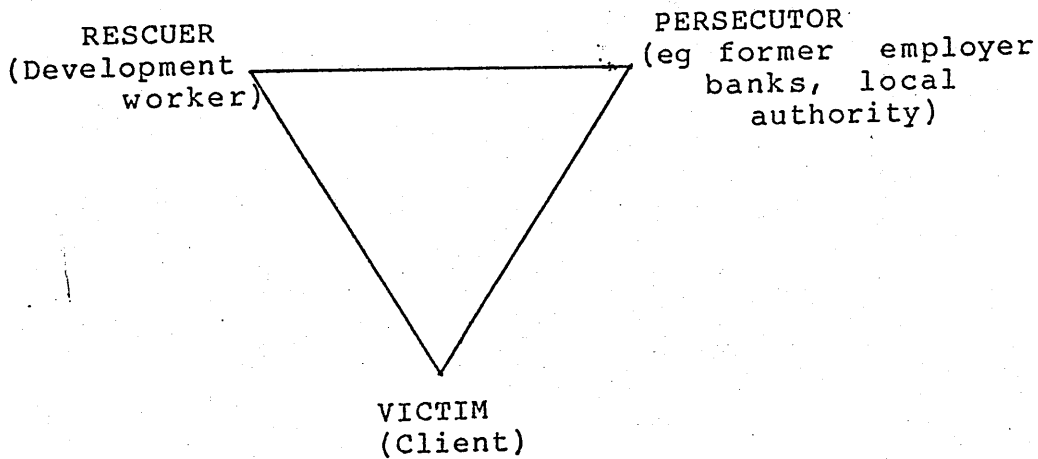
protecting their investment - their power is more limited. In the UK most co-operative development agencies are independent of funding agencies and want to maintain that independence. This independence means that they can encourage clients to be more open and trusting with them by offering them a bond of confidentiality. They cannot, therefore, protect their investment of time, energy and reputation by threatening a withdrawal of funds or even of a recommendation for funding. All they can do is threaten to withdraw their services - but this is hard to combine with an ostensibly 'supportive' relationship.

In summary, it is difficult(a) for the potential co-operators to be in control of what they want;(b) for all the co-operators to share that responsibility equally; and(c) for the development workers to 'hold back' from more active intervention.

## 2.5 The Support Relationship and the 'Drama Triangle'

Given these difficulties, the relationship (between CSO and client) is prone to conflicting expectations, anxiety, 'undiscussible' problems and confusion. Such problems of the rather nebulous 'support' relationship can be seen in the theoretical framework of the Drama Triangle, derived from Transactional Analysis. To illustrate first, using the London Agency example:

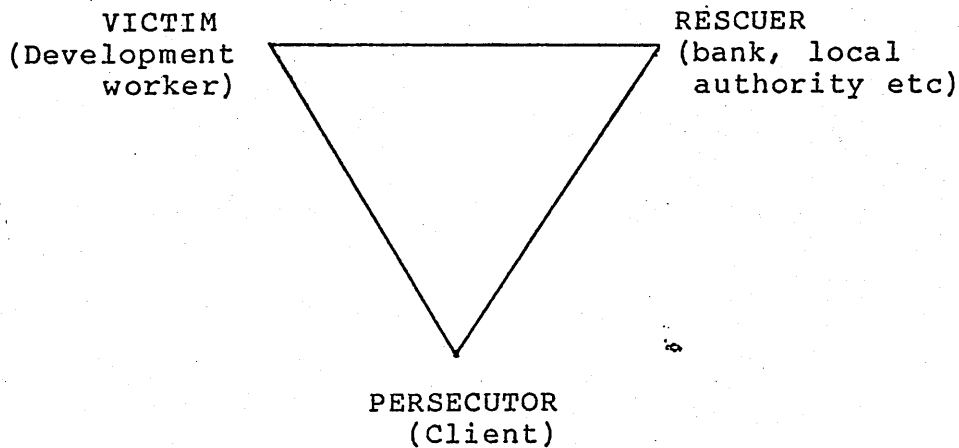
Figure 1



Initially, as in Figure 1, the Development Worker takes the role of the 'Rescuer' looking for a 'Victim': what can s/he do to help this worthy group (for whom an unsupportive bank or local authority, or a former employer who made them redundant may play the role of the 'Persecutor')? In this framework, 'rescuing' is characterised by paternal elitism, the 'victim' by childlike dependency and 'persecution' by a negative, unsupportive or even hypercritical attitude.

This transaction readily crosses over to the following arrangement.

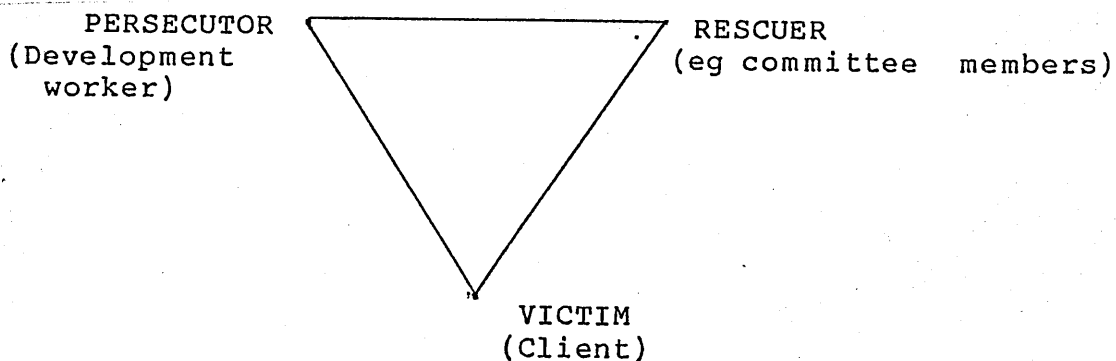
Figure 2



The development worker becomes the 'Victim', as in the London Agency example described earlier: she feels manipulated by the client group, whom she now sees as demanding/dishonest/unreliable/ungrateful or whatever - the 'Persecutor'. The development worker may even use the bank or local authority to 'rescue' her from the group, by either leaving the client to approach the funding body on its own hoping that it will not succeed in procuring funds or even manipulating the funding body into refusing the group funds.

Or the transaction may cross over to Figure 3:

Figure 3



Here the client group, as 'victim', sees the development worker as promising the earth, delivering nothing concrete, while being paid a lot for it. They may turn to various allies (eg. the CDA committee members) for support to 'rescue' them.

In theoretical terms (see Klein, 1983), the tendency is to end up in a role which is congruent with one's negative script decision - i.e., one's negative, usually unconscious, set of beliefs about self and/or others. In the 'game' of the Drama Triangle the participants may change roles many times. These cross-overs are usually quick and unconscious or out of awareness, but end up reaffirming negative script decisions.

In summary: if a 'bottom-up' agency-client relationship implies that the former's interventions are limited to responsive support to the latter's needs - without the agency making clear its own needs - then this is an unequal and unclear relationship which is vulnerable to the type of manipulatory processes described in the Drama Triangle. I regard this as a fourth limitation, added to the three suggested in 2.4.

## 2.6 Some Other Issues in Enterprise Development: Their Implications for the Development Agency - Client Relationship.

Gregory (1983) interpreted the Mondragon CLP as 'not waiting for people to come to it' but going 'out to groups of workers

who are forming co-ops' and helping them to 'make things go'. Writing from the perspective of the Welsh trade union movement, he proposed that the Welsh TUC initiate a similar body to go out and work with the workers 'rather than expect them to come in with ready-prepared business development plans and ... cash flow projections.'

To the extent that the problems are seen as mass unemployment and community resignation, such writers believe that 'responsive support' is insufficient. Gregory sees the trade union movement in Wales as the natural support body for workers co-operatives - because of its history and traditions, political weight, trust and standing in the community, and its skills in organising people and setting up procedures. He sees the support body as catalysts in co-operative development for groups of workers it could identify as possible co-operators. Other commentators will argue for pro-active intervention to target development support to priority groups or priority projects. Such interventions are not at all unusual.

Finnegan (1983) categorised co-operatives in Ireland into (a) those initiated by voluntary promoters - eg. social or community workers, trade unionists, professionals, clergy - for others to work in; and (b) those set up by potential workers to create jobs for themselves. In practice, he observed, 'most co-operatives will be initiated by a combination of both voluntary and worker promoters' and he saw the need to develop

a model for the gradual transfer of control from voluntary promoters to worker members.

Returning to the UK, Milford (1983) in his survey found that more experienced CDA workers - those with backgrounds in business, the labour movement, social services, voluntary organisations - whilst they expressed a preference for a 'bottom-up' approach, were also, given the time, willing to attempt to initiate co-operatives and recruit co-operators once it was a viable idea.

It has also been argued that the problems involved in setting up new enterprises, particularly amongst disadvantaged groups seem to demand the provision of substantial concrete business and management support services.

Thus, Macfarlane (1986 p25/6) argues that 'where co-operative development is targeted at disadvantaged groups, high levels of development support and financial support are likely to be necessary if commercially viable co-operatives are going to emerge'. Co-operative development thus 'is essentially a training provision in the field of learning where "doing" is the greatest tutor and formal education is only an introduction to the language. ...Training and support may take several years. This needs to be resourced if disadvantaged groups are to be (effectively) prioritised.'

Likewise Boddington(1984) in advocating the concept of 'venture centres' argues: 'all the advice in the world cannot assist the person with the idea in taking that step (of setting up in business) because nothing can paint sufficiently the picture of what has to be done and what it is like running one's own business'. Hence, advice and support are not enough; in addition, he advocated that the development agency should analyse the would-be entrepreneurs' ideas, motivations and objectives; and also that the proposed Venture Centres, as well as providing suitably serviced premises, should provide legal, accounting, marketing and other management services - in essence, the whole management infrastructure for the new entrepreneur to fit into.

The need for very active intervention has been recognised elsewhere as well. Cobbald, in a study of community co-operatives set up by the Highlands and Islands Development Board, Scotland ('HIDB') noted that the HIDB recognised that initiating management committees had neither the time nor the expertise for managing a project fully in the setting up phase, and paid the cost of employing a manager for the first few years.

The following two approaches also seem to see pro-active intervention and the provision of substantial concrete support services as going together: Pierce (1981), discussing the development of the US National Consumer Co-operative Bank,

noted that the experiment with co-operatives under the 1960's poverty programme ended in almost universal failure 'through lack of follow-up technical counsel, and because community organisation is often weak anyway.' To quote A.J. McKnight, a bank vice-chairman and a black Catholic priest organising Southern agricultural co-operatives in the USA 'this time there has to be a very strong outreach effort - it has to be more than just informational, it has to be organising' (my emphasis).

The Scottish Co-operative Development Committee, as well as responding to queries and requests for assistance, had (by 1980) set up two projects of its own: a co-operatively run workspace and a 'co-operative formation package' for 'people who ordinarily would never have thought of setting up their own co-operative enterprise', offering 'to form the co-operative with the workers, and, as needed, to provide office and administrative facilities, book-keeping and financial control, management and marketing' as long as they were needed.

However, if substantial support services are to be offered, it is not surprising if the bodies concerned wish to reduce the probability of failure, in the interests of both the development agency and the initiators. Hence, some sort of 'vetting' of groups and their proposals is likely to follow and, indeed, such a trend has been apparent for a number of years. For



example, many of the local enterprise trusts surveyed by Initiatives (1982) see the need for being more systematic and probing in their interventions. Some 'vet the business plans of their enquirers and pass critical comments on them' but 'some trusts place greater emphasis on assessing individuals, their motivations, temperament and skills, as much as the specific idea they wish to implement'.

## 2.7 Summary and Conclusion

The distinction between 'top-down' and 'bottom-up' has been an important, even central, feature of thinking about co-operative development in the UK. The characteristics of both approaches were described.

'Top-down' has been little tried. It has been assumed this approach would be unattractive to potential workers, and that it would lead to problems of dependency and lack of psychological ownership. It has not been fashionable.

The 'bottom-up' approach is widely espoused. But this approach requires the embryonic co-operative group to be fully - and equally between its members - in control of the relationship with the CSO - an unrealistic requirement given the organisation, expertise and other problems of a new group; and given the 'investment' of the CSO in creating successful co-ops, it is difficult for it to hold back and take a purely responsive,

supportive role. Not surprisingly, this approach is not always followed faithfully by the agencies which espouse it.

We also argued that if the agency limits itself to responsive support to the client's needs, without making clear its own, then this is an unequal and unclear relationship vulnerable to the manipulatory processes described in the Drama Triangle.

An analysis of trends in enterprise development work generally, in the UK and abroad, suggests further reasons to query the effectiveness of the 'bottom-up' approach: in particular

- \* the perceived need to be 'pro-active' in targeting development to specific disadvantaged groups
- \* the need to invest heavily in training, infrastructure support, etc., if enterprises are to be successful - particularly if the participants start from a position of disadvantage
- \* the need felt by development agencies to vet initial applicants, carefully monitor progress, etc., in order to protect investments and reduce probability of failures.

Obviously, if an agency intervenes in such ways with its clients its approach can no longer be described as 'bottom-up'. But does that therefore render its approach 'top-down'? Or is it,

as we shall argue further, that the 'top-down' vs 'bottom-up' distinction is an over simplification, that does not provide an adequate framework for understanding the issues and choices involved in the (usually) complex and varied agency-client relationship?

## CHAPTER 3

### EVALUATION CRITERIA AND EVALUATION STUDIES OF THE UK

#### CO-OPERATIVE SUPPORT ORGANISATIONS

##### 3.1 Introduction

This chapter reviews the principal evaluation studies of the UK CSOs. These studies have commonly attempted to evaluate CSOs in two different respects: first as regards the output of their work - the number and type of co-operatives formed, the number of jobs created, etc; second as regards their working practices - whether the services they provide and the manner in which they provide them are appropriate to their objectives. These two different bases for evaluation are considered in turn. It should be noted, however, that although the studies consider both sets of success criteria, it is the latter that have attracted most attention.

##### 3.2 Effectiveness of CSOs

Cornforth & Lewis (1985) estimated that each CDA worker can be expected to help establish about 2 co-operatives per year, each employing about 5 people. Macfarlane (1986) derives the following figures from the work of Taylor (1983):

	No. of Co-operatives	
	1980	1982
Areas without CDAs	201	250
Areas with CDAs	99	229

CAG (1986) in the London context, found that about 250 of the 300 co-operatives (83%) were located in the 22 boroughs (69% of London boroughs) enjoying the services of CDAs.

'This confirms the correlation discovered in most other research studies between development agency existence and the growth of co-operatives' (CAG p.27).

However, such statistics are difficult to interpret. CAG points out possible causes of statistical unreliability:

- \* all directories have problems being up-to-date, with new starts and closures;
- \* not all registered co-operatives are trading
- \* (re job creation statistics): there is confusion in directory counts between full-time equivalent jobs and part-time plus full-time jobs.

Add to this the suspicion already referred to - in 1.1 above - and voiced by Macfarlane, and Lord (1986) that these trading co-operatives are often very marginal indeed and it is clear that some questions have to be asked about the meaning of these figures. For example:

Do they measure the activity rate of CSOs rather than the success rate of CSOs? i.e. CSOs work with client groups, (including registration, some test marketing, pilot trading activity etc), as against a final outcome of this work, the

setting up of a viable, sustainable enterprise ( - however viable and sustainable are defined)?

Are successful co-operatives developed without assistance or influence from CSO as likely to appear in the statistics as those developed with such assistance?

CAG also point to another reason for caution with the Taylor figures: growth in co-operative formation seems to have ceased over the period of 1984 to 1986 despite the continued growth in CSOs over the same period. They also estimate a 'disappearance rate' of 35% over the 3 years prior to their report (in early 1986). Thus CAGs' figures would be consistent with a hypothesis that marginal trading activities initiated in the early 1980s started to die off in the mid-eighties, to be replaced by another set of marginal co-operatives.

Further research is needed to answer these questions. However, it is clear that evaluations of CSO must go beyond simply counting the numbers of (registered) co-operatives. The evaluation needs to be based on explicit criteria - which derive from and include criteria for successful co-operatives.

The thinking of one major authority on this question was: 'The ultimate test of GLC and the Greater London Enterprise Board ... policies would not simply be the number of co-operatives or jobs in co-operatives, but the extent to which

they relate with the Labour movement, offered good conditions of employment, offered socially useful products, were themselves able to create a co-operative movement and economy, and could provide evidence of commercial success and survival ... co-operatives were identified (by the GLC) as having a role as the key channel for ethnic minorities, women and people with disabilities to create their own businesses'. (CAG 1986 p. i and ii). The problem is converting such aspirations into measurable success criteria that can be explicit to all, including client groups, to enable evaluation of co-operative performance, CSO performance, and ultimately to paraphrase Macfarlane, of the local authorities performance in pursuing its co-operative development policy.

The evaluation studies of CSOs, though they may acknowledge the desirability of more searching performance indicators, have not attempted seriously to develop them. This raises the question whether it is realistic to suppose that the sorts of objectives quoted above can ever generate measurable evaluation criteria. The question is addressed by considering the objectives (or variants of them) in turn.

#### Job Creation:

Measures of job creation in employment development work are difficult. Unemployment Bulletin No.22 (1986) conducted an analysis of the job creation impact of the Government Enterprise Allowance Scheme (EAS). They used concepts such as:

Deadweight: those firms which would have gone ahead anyway, and therefore created jobs, despite EAS;

Displacement: those jobs 'created' that mainly displaced jobs elsewhere in the economy; this factor is highest in low-cost entry existing markets.

The Bulletin quoted MSC estimates of both factors of about 50% with some overlap between them.

Although it is uncertain whether 'new-start' co-operatives are the same as EAS businesses in those respects, it is clear that to assess the job creation impact of co-operative development, you have to reduce the figure for numbers employed quite considerably, perhaps even by more than 50%.

#### Job Creation in Co-operatives:

The obvious indicator is the number of jobs created in the co-operative economy. If jobs created in a co-operative displace jobs elsewhere in the non-co-operative economy they are still measured as a plus using this indicator (whereas they would not be by the 'job creation' indicator). But one would still have to subtract for deadweight if the co-operative jobs would have been created anyway without CSO intervention. However, a question remains, from discussion above, concerning the level of income and hours worked at which one can say a 'job' has been created, bearing in mind variations in income levels in different trade and market sectors.



### Job Creation for Disadvantaged Groups

Similarly there is a need to subtract for deadweight (for co-operative members who might have got jobs anyway) but not for displacement: if non-disadvantaged group members are displaced elsewhere in the economy, the enterprise would still be seen as a positive gain, using this indicator.

### Commercial Success and Survival

Macfarlane in particular calls for an indicator of the strength and survival rates of co-operatives as businesses. Certain measures of economic performance are called for - eg. income per worker, capital invested (including surpluses re-invested) as well as commercial survival over time.

The latter can only be assessed through a longitudinal study over a period of years - and all the evaluation studies noted the difficulty of this given the recent growth of co-operative development.

But more precise information on income per worker and investment could be collected. This information needs to relate to trade, market and geographical region. To explore this point three experienced development workers in the London region were asked to identify a co-operative with an average member income of £7,000 p.a. or greater. Between them they identified seven co-operatives - but only one of these was in an area with a CSO and not pre-dating CSO formation. This 'straw poll' research

is used only to show the need for such financial indicators, not to 'prove' anything about the level of commercial success in co-operatives. Apart from the sample being small, it could be that the post-CSO co-operatives have just not reached this income level as yet.

Nevertheless an income of less than £7,000 is unlikely to attract skilled workers in London's economy in 1987 (or to retain them for a period of time) where the cost of living is high and there is strong competition for workers with both trade skills and managerial skills (which develop from experience of self-management).

Clearly, therefore 'hard' indicators of commercial success and survival are required for evaluation to be meaningful, and the absence of such was noted, and notable in the valuation studies. Using such indicators, the success rate of co-operatives might be small - as it is for most small businesses (see Unemployment Bulletin, 22, 1986).

#### Socially Useful Production:

Newman (1986) criticised the vagueness of the use of this term in an appraisal of GLEBs own activities and offered a definition in terms of 'those products which would not be produced under a capitalist market system because they require state involvement in research and development and in distribution and purchase'.

This definition is interesting in that it implies a public funding subsidy to allow for the fact that the product or service in question could not be expected to fully recover its cost in the market place. Its limitation is that it could be applied to nuclear weapons!

In essence, it implies somebody making a subjective social appraisal that a certain product or service is socially worthwhile; and allocating resources to compensate the producers for the lack of market value of their product. Only in such contexts can these criteria be meaningfully used in the evaluation of production enterprises (such as co-operatives).

#### Good Conditions of Employment:

This factor can most readily be operationalized using a range of indicators, eg. according to the Department of Employment Code of Practice for the Employment Protection Act, supplemented by any other criteria a co-operative and/or a CSO may choose.

#### Objectives such as 'relating to the Labour Movement'

##### 'Creation of a Co-operative Economy':

I know of no attempts to operationalize such criteria in a measurable form.

#### Other possible Co-operative Success Criteria:

Members of co-operatives have expectation about democracy in organisational structure, about the quality of working

relationships, about access to decision-making. Such issues were dealt with by Paton (1978) who saw the need to make such expectations and objectives explicit and to convert them into effective criteria which could be evaluated subjectively at the nominal level of measurement, ie. for members to say whether they felt their expectations were being met or not.

Macfarlane suggests 'personal and community development' as evaluation criteria. Again, although it would not be easy, specific indicators could be developed.

This brief review of possible objectives and performance measures for the development of co-operatives points to the following conclusions: first, the development of a fully comprehensive, operational and reliable set of performance measures can only be a long term goal at this stage - much work needs to be done; second, nevertheless there is already considerable scope for more searching performance and evaluation criteria in relation to a number of commonly mentioned objectives. Evaluation studies, however insightful they may be, appear simplistic and uncritical without the development of such indicators.

### 3.3 Evaluation of the Process of CSO Work

Evaluation studies have tended to concentrate on the process of CSO work rather than on the outcome, (in the absence of

developed co-operative success indicators). I will subdivide this work into (a) an evaluation of the work of local authorities, playing a strategic and a funding role in co-operative development (as well as sometimes employing officers to support and develop individual projects) and (b) evaluation of independent or specifically set up co-operative support organisations (including regional specialist organisations).

### 3.3.1 Local Authority Strategic and Funding Bodies

Macfarlane (1986 p.19-20) expressed the need for such bodies to prioritise their objectives (in terms of target groups), thus to enable prioritisation of resource use (staff and cash) and for such prioritisation to be reflected in project appraisal criteria, explicit to all including client groups.

He cites the case of one London borough which made financial assistance available to co-operatives before development staff were appointed and before appraisal criteria were worked out. This was exacerbated by its policy of supporting projects from disadvantaged groups and led to the setting up of a number of vulnerable businesses, many of which have ceased trading.

He found a similar problem with a Yorkshire authority who supported 'phoenix' co-operatives, before working out their appraisal criteria. He contrasted these authorities with a Midlands authority that had a clear (if limited) appraisal

procedure and that had planned its staffing and resource availability: 'business performance figures are produced regularly (by co-operatives) and analysed with the local officers' 'a useful form of on-going training' (p.27).

CAG (1986) criticised the lack of 'strategic monitoring and overview of CDA work by the GLC', which funded many London CDA's up to 1986 (p.65). CAG also criticised the relationship between GLC and its offshoot GLEB, on the one hand and the borough level CDA's on the other, resulting in a confusion of expectation in the latter - eg: Whether to optimise the number of co-operatives they help start, or to work with disadvantaged groups which would involve more developmental time per group; whether to work with representatives of the existing movement versus working with groups in the population who were under-represented in the original movement; whether to monitor the progress of funded co-operatives (as agents of GLC/GLEB) possibly against the interests of their client groups, as they (local CDAs) saw it.

CAG and Macfarlane both decided that there was a need for a greater clarity in objective setting and appraisal criteria at all levels; for resource allocation in relation to objectives set - specifically for specialist assistance of varying types to co-operatives, eg. through budgeting for consultancy grants.

CAG also noted that the most successful local CDAs tended to be located in local authorities which had active employment promotion policies; which offered more help with premises, rent and rate rebates, and loan funds; which funded higher CDA staff levels - and (in two cases) had built low cost starter premises for co-operatives.

### 3.3.2 Evaluation of Local CSOs

This can be considered under three headings: 1. services offered, 2. processes of working with client groups, 3. internal organisation.

#### 3.3.2.1 Services Offered

Firstly, what services are needed? Views obviously will vary.

Lord (1986) quoted research (by Wilson, Chaplain and Cowe) to suggest that co-operatives face the same problems as most small businesses -

viz:

- \* Obtaining finance
- \* Managing finance
- \* Marketing

but they have certain additional problems - particularly in their formative years in such areas as

- \* Major innovations in organisational structure
- \* Internal relationships
- \* Internal decision-making processes (Lord quoting Cornforth).

Lord, on a study of 4 London CDAs found:

- \* Co-operatives were generally satisfied with advice and assistance given to them by their CDAs, relative to the support given to them by other agencies
- \* These co-operatives were particularly satisfied with advice on obtaining funds and help with registration and related matters.
- \* They were least satisfied with advice and assistance on premises and marketing.
- \* Co-operatives found the CDAs accessible, open, friendly, offering moral support, and encouragement, which developed their confidence.
- \* He quoted the CREW study to query the quality and extent of training provided by CDAs 'in house'.
- \* Co-operatives did not feel the advice/assistance was particularly tailored to their trading needs, (CREW) - they particularly felt this as they developed trading.
- \* Lord also quoted CAG (1984) Study that the majority of CDA staff lacked specific marketing training and experience.
- \* Co-operatives could not rely on their CDAs to provide them with contacts for specialist advice, which they wanted.
- \* Lord found that CDAs lacked contact with and influence on the local business environment.
- \* After starting trading, particularly, co-operatives realised the limitations of the marketing, financial planning and



book-keeping advice they received - that it was not detailed, sophisticated or trade-specific enough. CAG also reported that co-operatives in London tended to find the London-wide specialist agencies and consultancies more useful as they developed trading.

It should be emphasized that the above observations are largely based on the presenting needs of co-operatives running or attempting to run a business. It is not surprising that they tend to be expressed in terms of the 'hard' business areas.

Nevertheless, it may be valid for a development worker to see his/her role in terms of helping a client group to learn to solve problems themselves rather than to offer specific advice on their problems. But this is a very skilled consultancy process, which I will discuss again in Chapter 5.

### 3.3.2.2 Process of Working with Groups

In the discussion of 'bottom-up' approaches in Ch. 2.3 we described the typical way a CSO worked with clients - and as stated above, most co-operative groups found this approach supportive and confidence-building.

However, 'the other side of this coin is that most co-operatives suggested that the CDA had generally accepted their business ideas as potentially viable. None seemed to have their propositions questioned' (Lord p.19-20). Lord queried whether the CDA workers were skilled enough in

identifying weaknesses.

This non-directive approach, according to Lord, seems to have led to a number of very vulnerable businesses, with little sign of long-term viability, being set up: and CDA staff concerned about the volume of abortive work they do.

He also quoted a detailed study of one London CDA which noted that few enquiries were discouraged. Such unselective encouragement, he noted, is a particular problem as they invest so much time per co-operative in intense development work.

Lord noted that more experienced CDAs were becoming more selective. Some agencies (eg. Coventry, Croydon) are now moving to a system whereby clients are expected to undertake a basic training programme before a development worker does specific work with their group.

CAG also noted this tendency to avoid direct discouragement of any group, despite a move to more systematic processing of enquiries and working with selected target groups.

Lord noted that the process of working with groups was not very systematic. Three out of four CDAs had a written checklist only of topics which they should explore with each group - the fourth did not even have this. When asked whether they had individual programmes drawn up for each co-operative,

to be agreed with colleagues in the CDA - the answer was 'sometimes, on an informal ad hoc basis'.

### 3.3.2.3 Internal CSO Organisation

Lord concluded (p.74) that there was 'minimal (or none at all) monitoring of efficiency and effectiveness, virtually no planning and very little selection of targets' and (p.79) 'informal (decision-making) processes which diminish the possibility of holding people to account for particular tasks'.

Quoting Landry et al (1985) 'organisations can be effectively paralysed by their lack of procedure for resolving differences'. He relates such problems to:

- \* weaknesses of Managerial Committees
- \* lack of clearly defined managerial roles
- \* the libertarian ethic and its preference for lack of structure and consensus decision-making.

Some specific consequences of this form of organisation Lord noted were:

- \* little evidence of CDA staff learning from each other, within or across agencies
- \* no methods of evaluating the work of individual staff despite the desire expressed by staff for both this and the above.

CAG came up with similar observations: most CSOs had no enterprise plan for themselves, undertook no systematic evaluation of work against stated objectives and some set themselves non-measurable objectives.

### 3.4 Summary

There seems little doubt that local CSOs work very hard, in a very supportive manner, with their client groups, attempting to set up co-operatives - but there is very little evidence that they succeed. This partly because there seems to be a striking lack of realistic, measurable success criteria for evaluating co-operative development (despite the fact that developing such criteria is the responsibility of the overall strategic and funding bodies (eg. local authorities) and the support bodies at every level.) But in addition doubts have also been cast on the comprehensiveness of the skills and services CSOs have to offer, on the appropriateness of their non-directive approach and of their rather informal internal organisation procedures.

Regarding these last points, it is important to note that the studies considered in this section have all concerned CSOs that were attempting to pursue a 'bottom-up' approach to development work. As such, the studies tend to reinforce the arguments in Chapter 2 concerning the inadequacy of a simple 'bottom-up' philosophy as a basis for agency-client relationships.

The key problems appear to be:

- \* a mismatch between the objectives of agencies (as regards concentrating on disadvantaged groups, promoting healthy enterprises, etc) and the methods used (prone to result in weak co-operatives, unless members already skilled and confident)
- \* the need on occasions for agencies, both for their clients' sakes, to relate to clients in ways that would not normally be considered as 'supportive', 'non-directive' etc eg. thorough assessment of client groups' business proposals before committing costly amounts of development staff time.

## CHAPTER 4

### NEIGHBOURHOOD TEXTILES: A CASE OF 'TOP-DOWN' DEVELOPMENT?

#### 4.1 Introduction

It was pointed out in the last chapter that the evaluation studies of CSOs have all effectively been studies of 'bottom-up' approaches to co-operative development. 'Top-down' approaches have been unfashionable and so the real problems and possibilities of such approaches have not been documented in the same way. This makes the case of Neighbourhood Textiles particularly significant, for although NT was promoted by a Steering Group set up by a voluntary organisation rather than by an agency specifically oriented to co-operative support, we are regarding the Steering Group as the CSO or development agency. The Steering Group was clearly pursuing an approach which could not possibly be considered 'bottom-up'. Indeed, it is automatically labelled as 'top-down' by many of those who read the case study (included as Appendix 1). We assume, at this point, the reader has read this case study. If not, chapters 1.2 (Background) and 1.3 (Summary History) are the minimal necessary reading.

The aims of the chapter are:

- \* to summarise the key aspects of the NT case
- \* To assess the strengths, weaknesses and difficulties of the Steering Group in performing its role as a CSO

- \* to develop an explanatory framework for viewing the commercial failure of the co-operative and the role of the Steering Group in the failure: particularly in terms of the interaction between -
  - the inherent difficulties in attitudes, relationships and decision-making in a co-operative business
  - and
  - the lack of clarity over the role of the Steering Group, especially regarding its relationship with its client, the co-operative
- \* to consider whether it is indeed a case of 'top-down' development, and to assess the extent that the criticisms of the 'top-down' approach mentioned in Chapter 2 explain the problems that arose (in comparison to the other explanatory concepts discussed).

#### 4.2 The Steering Groups' Role in Founding the Co-operative

We can summarise the record of the Steering Group as follows: they obtained funds from the Borough Council to commission a feasibility study and formally constituted a Steering Committee with public body and community organisation representatives and with co-opted specialists. They obtained funding through the Urban Programme. They obtained premises and persuaded the Borough Council to take on a lease on the premises when difficulties arose (Story of Neighbourhood Textiles 1.2). They obtained advice and support from firms in the industry on setting up and recruitment. As discussed further in Topic 2 of the Study Guide to Story of Neighbourhood Textiles

(Emerson 1983) they set about publicising the project locally (through leafleting and local newspaper publicity) in order to attract staff, workshop tenants and general community support.

They advertised and recruited staff in the open market to fill the posts they had identified as necessary (although they specifically wanted to attract local textile trade workers who were having difficulty finding suitable employment). In response to this, people came forward to start the workshops and to apply for jobs in the textile co-operative.

They planned a careful process of selection, involvement in activity and induction training so that new co-operative members would feel involved in decision making and share responsibility for the projects development. Eg. "the production manager was appointed six months before the factory opened ... to contribute to, shape and identify with the project as it came into being ... A full weeks training programme was designed to prepare (freshly appointed members) for working in a co-operative and for participating in decisions." (Case Study 1.3). Worker members were at all stages encouraged by the Steering Committee to attend its meetings (as well as the co-op meetings).

We can evaluate the Steering Group's performance in terms of providing for the basic requirements of co-operative business



as discussed in Chapter 3, viz,

- \* Obtaining finance
- \* Managing finance
- \* Marketing

#### Obtaining Finance (see Case Study 1.2)

The Steering Group was successful in this respect, obtaining a capital grant of £160,000 and a subsidy of £40,000 for the first year; this compared well with the finances of other firms in this industry, which, if they are not under-capitalized, would have large loans to repay.

#### Managing Finance (Case Study 3.2.1)

Minutes of the meeting of the Co-operative, February 25 'The Treasurer/Book-keeper was not chosen for his ability to communicate financial information and although an excellent accountant, he would probably not have been selected if that criterion was used'.

'Managing finance' needs a particular emphasis on a co-operative decision-making context, which was not adequately foreseen by the Steering Group (the Co-operative Management). Failings in this area led to the crucial problems discussed in 4.4.

#### Marketing (Case Study 2.3.1)

The Management Consultant to the Steering Group is quoted as

criticising the Production Manager for failing to carry out the marketing plan envisaged in the feasibility study. But assuming this marketing plan designed in the feasibility study was adequate, what could the Steering Group have done to ensure it was followed up? This leads us to question the relationship between the Steering Group and the Co-operative, an issue emphasised throughout this chapter.

#### 4.3 The Failure to Take Remedial Action

If we conclude from the above discussion that the business plan was soundly based and that the basic infrastructure, resources and business advice were adequately provided by the Steering Group, the issue then becomes one of why commercial failings went uncorrected. In other words: the 'system' may have been designed adequately for start up - but was it designed to cope with on-going operational difficulties? A first level explanation was offered in 3.3.2, last paragraph of the Case Study.

'Neither the members nor the Steering Committee appreciated the seriousness of the problems because basic and essential information was not provided or not provided accurately; they did not insist on having that information; and in meetings, the management of the co-operative consistently put a positive gloss on the state of the business, allowing, perhaps even encouraging, the discussion of peripheral and emotive issues. At least three members of the Steering Committee - the Management Consultant, the Council Officer, and one other - tried to insist on detailed

figures. But they came up against the problem of the role of the Steering Committee : it was not clear whether it had the power to demand information. Without such clarification, the Production Manager was going to reveal as little as possible, keeping to the businessman's norm of always telling 'outsiders' that 'things were going well.'

To rephrase: the people who had the right to information (co-op members) did not have the information, or the skill to ask effectively for the information.

Steering Group members did not have information either; at least some of them may have had the skill to ask the right questions - but they had not an acknowledged right to ask for it because of ambiguity over their role: the relationship between the Steering Group and the Co-operative was not explicit. So, in summary we have three issues:

- \* lack of information
- \* lack of skill in asking for information
- \* lack of clear right to ask for information

The first - lack of information - brings us back to the failure to specify a communication role in the job description of the treasurer. More generally, as Chapter 3 of the Case Study elaborates, the system was not designed adequately to ensure a flow of information to enable members to take part in decision-making.

'Lack of skill in asking for information' is a consequence of the Steering Group's failure to insist on the relevant member training - see 4.5 pt (i). Like its lack of clear right to ask for information, this relates to the lack of clear role of the Steering Group. The next part of this discussion will elaborate on this 'design flaw' - the ambiguity of the Steering Group's role (viz a viz the co-operative).

However, the Steering Group was relating not to a single cohesive entity but to a set of people organised in a co-operative decision-making structure. In such a complex structure there may be inherent weaknesses and potential strengths. The intervention of an 'outside' body may influence how the weaknesses are tackled, the potential strengths realised. (The quotation marks refer to the lack of clarity over role boundaries for the Steering Group, as we shall show).

As we analyse the functioning of the co-operative structure and the extent to which inherent weaknesses and latent strengths manifest themselves, we also analyse the role of the Steering Group and the effect of its interventions.

#### 4.4 The "Co-operative Structure" and the problems that arose

The Case Study (Ch.4) discussed explanations (of the failure of NT) in terms of the co-op structure being:

- a) a liability and/or
- b) an unused asset

#### 4.4.1 Co-operative Structure - A Liability?

In Case Study 4.1.1, it was argued that managers in a co-operative - in this case, people on fixed salaries initially - did not have the same direct, economic incentive to take urgent action, as would be the case in a conventional small business.

In Case Study 4.1.2, it was said: 'A rather more substantial connection between poor management and the co-operative structure is suggested in the claim that the participative nature of co-operative decision-making undermined the authority of management.' A review of the relevant incidents and conflicts follows:

The record was clearer concerning relations with the Steering Group than with the workforce (on which there was little evidence relevant to this question, except some minor allegations of workers challenging management authority [Case Study 4.1.2 p. 40, 41]).

(i) The management's unwillingness to continue with training in co-operative decision-making was mentioned in Case Study 3.1. The Steering Committee member concerned persisted in her efforts despite the lack of co-operation and in order (in her

words) 'to force the Production Manager's hand' she brought a paper to the May meeting of the co-operative; it was discussed and accepted, but implementation was overtaken by the worsening financial situation. (This is elaborated in Study Guide for NT, Topic 3).

(ii) Case Study 4.1.2: 'When the bullet proof vest order was first mentioned at the Steering Committee in February, reservations about such an order were expressed by some members of the Steering Committee - not by any of the workers present. A rather confused discussion took place, with the Production Manager asserting that he had to assess what orders to take and that the co-op could not afford to be choosy, and Steering Committee members asserted the need to consider social and moral questions and also to involve the co-op as a whole in such a decision. The next meeting of the co-operative discussed the question again, at length'. ...'In the end the Production Manager got permission to pursue the order. Clearly, the Steering Committee did not handle this issue well and by bringing it up in the way they did, appeared impractical and self-righteous'.

(iii) The site management issues discussed in 3.3.1'.

(iv) 'The Office Manager cited two allegations - 'first the secretary to the Steering Committee influencing members, against management's advice, on arrangements for the site opening party

(so that among other things guests including potential customers were expected to pay); second, she claimed to have overheard another Steering Committee member advising workers to be on their guard - that if they did not have more people on a particular committee, management would outvote them'.

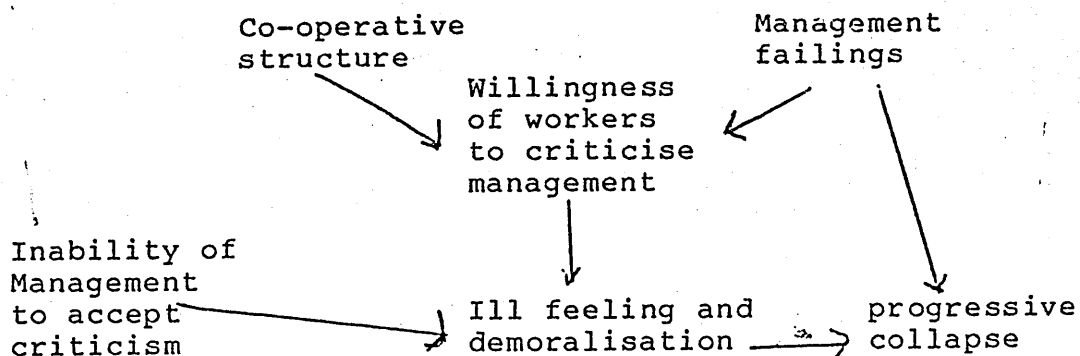
Overall though, the 'undermining of managerial authority' did not seem to provide an explanation of the poor management and business failure.

'Item (i) can just as well be seen as the management undermining a legitimate and longstanding policy of the Steering Committee (to which the Production Manager had been party) and item (iii) was an attempt to extend this authority of the management beyond that required to run the business so cannot be seen as an encroachment on their authority. But more significantly, Steering Committee members did not interfere at all in the areas of production and financial management that were identified as direct and major causes of failure in Chapter 2. Not just on a day-to-day basis, but from one month to the next the management was simply left to get on with it, in line with their job descriptions which were unambiguous'. But, 'It is clear from these points that relations between the Steering Committee and the management were strained, and that the formal relationship between the two was never very clear. Although the Steering Committee's

policy was to phase itself out, it never gave itself a definite transition period, and even after deciding in April that its role was simply to monitor the spending of the Urban Programme money it still found itself intervening on a social question - training - in May'.

'Hence, as regards management's authority being undermined by the Steering Committee, it appears that relations were strained, roles were unclear; that the presence and contributions of Steering Committee members as independent, influential people at meetings were resented on occasions; but that such problems, though real, can hardly be seen as a significant erosion of management's authority in actually running the factory'. (Case Study 4.1.2).

The discussion concluded that the problems were the product of an interaction of the following factors, as presented diagrammatically:



Case Study Figure 1



'In this sense one can argue that the co-operative structure contributed to the failure'.

#### 4.4.1 Conclusions from this Subsection

To answer the question as to whether the 'co-operative structure' (as defined above) was a liability, I will integrate some of the above arguments and observations.

- a. worker members in a co-operative are entitled to question and challenge those undertaking management responsibility.\*
- b. Steering Group/CSO representatives are also entitled to question and challenge management.
- c. The above factors become a liability if managers are unable to respond constructively to criticism.
- d. If roles and relationships are unclear - particularly if the role of a powerful initiating body such as a Steering Group is unclear - then problems are liable to arise, no matter how open to challenge managers may be. The management will need to know who has a right to what information, to a say in what decisions - what its relationship with a steering or development body is, and how this will change over time.
- e. Factors c. and d. are likely to interact: i.e. a defensive management is likely to be particularly threatened by having to operate in a structure where roles and relationships are unclear.

f. When problems arise, managers have less direct personal economic incentives to take remedial action (as against in a conventional firm).

\* I use the term 'managers' to indicate those undertaking management responsibility - whether specialist managers, or worker members sharing or rotating management responsibility.

#### 4.4.2 The Co-operative as an Unused Asset

Chapter 4 of the Case Study examined the view 'that Neighbourhood Textiles failed not because it was a co-operative, but because it was not enough of a co-operative.... The project failed to ensure some of the elementary preconditions for effective co-operation.... The creation of a viable co-operative structure requires associated organisational changes.... If such associated changes are overlooked the structure is so likely to be ineffectiv that it cannot be said to have been seriously tried. On the other hand, the argument that 'co-operation did not fail, it was not really tried' must not be over-used by setting such strict conditions for a 'real' test that success is pretty well guaranteed. The argument in this case is that certain basic requirements were lacking and that as a result the potential advantages of co-operation were not realised. The requirements I suggest are:

(i) a fair measure of psychological ownership by members;

- (ii) an appropriate decision-making structure;
- (iii) a suitable information system;
- (iv) some programme to develop the decision-making and related skills of members;
- (v) sufficient trust and respect to ensure conflicts are not immediately destructive.

'An examination of Neighbourhood Textiles in relation to these five points suggest the extent to which the practice of co-operation was still-born' (Case Study 4.2).

Taking these five points in turn:

- (i) By 'psychological ownership' I mean a feeling that something belongs to a person or group, irrespective of whether or not they have a legal title deed - (a similar usage occurs with the idea of problem ownership - a problem cannot of course be legally owned, but a person/group can still feel it is his/hers/theirs). 'With one or two exceptions the worker-members never psychologically "owned" the enterprise: the Steering Committee set it up, the managers took over some of the responsibilities from the Steering Committee, and the Steering Committee held on to others. They (the workers) were not asked to put money in - just to turn up at meetings which other people seemed to control.'

Reference was made in the Case Study (4.2) to various workers thinking that their wages were paid by the Borough Council. Even

'the Supervisor who was one of the most involved and informed did not realise that 'the Council' (i.e. DoE) was only paying an initial capital grant and revenue subsidy. So notwithstanding the good start that was made in the first week it seems that only to a very limited extent did members understand and identify with the project. Towards the end the crisis seems to have affected attitudes - as, indeed, it affected productivity - and some members worked unpaid overtime. But for the most part, and when it really mattered, it was not experienced as 'their' project'.

As for point (ii):

'The second requirement was an appropriate decision-making structure, ... 'appropriate' can be judged in terms of:

- (i) involvement of members in decisions, especially where members' perceived interests were involved, and where urgency, technical complexity or other factors did not make it impractical or undesirable;
- (ii) Clarity in the decision-making system, so that everyone knew who was involved and to what degree in what type of decision, (eg. whether people were making joint decisions, being consulted or just being informed). (Case Study 4.2).

The Case Study (4.2 p.45-6) cited three issues - viz,

- \* recruitment of additional machinists
- \* holiday pay
- \* disciplinary procedure -

to call in question the appropriateness of the decision-making structure, 'which seems to have been arbitrary, inconsistent and unclear' (Case Study 4.2).

Points (iii) and (iv) have already been dealt with. 'The information failures discussed in Chapter 3 demonstrate the spectacular inadequacy of the information system of the co-operative; and the failure to continue, beyond the first week, a programme to develop understanding and skills relevant to member involvement has also been mentioned (3.1 and 4.1.2 of the Case Study). Indeed, one can argue that subsequent events demonstrated the scope and importance of such a programme in relation to

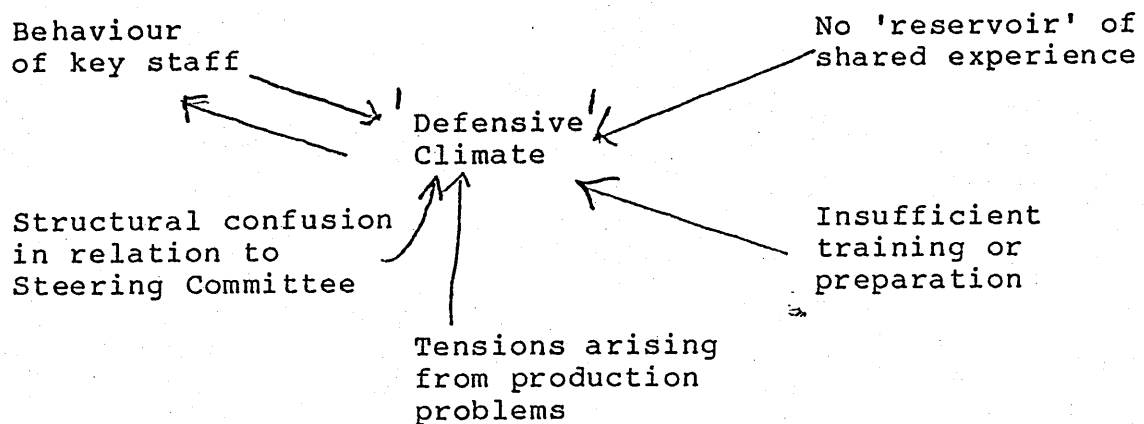
- \* running and taking part in meetings
- \* asking probing questions of management
- \* confronting difficult issues without generating a lot of bad feeling
- \* presenting financial information
- \* analysing (and changing) their own decision-making structure' (Case Study 4.2).

Point (v):

'The final requirement was a degree of mutual respect and trust among those involved such that disagreement need not be threatening or automatically turn into confrontation. The point here is that some measure of conflict is inevitable and how such conflict is handled will be important, not just for the cohesion and commitment of the participants, but also (especially in a new enterprise) in terms of improved organisation and working methods. Dealing with criticism is seldom easy and the process need not always be smooth, swift, painless and productive. But if the atmosphere is so frosty and defensive that nothing productive is likely to emerge, this is as effective a block to co-operation as structural inadequacies.'

(Case Study 4.2).

The study concluded that the attitudinal requirements for constructively resolving conflicts were not present in Neighbourhood Textiles: rather that criticism was reacted to with hostility and defensiveness, and did not lead to a constructive resolution of difficulties. The following set of variables were seen to be instrumental in creating the defensive climate:



(Figure 2 of Case Study p. 47)

#### 4.5 Co-operative Structural Problems - and the Issue of 'top-down' Intervention

How does the explanatory framework just elaborated relate to the question of 'top-down' intervention by a CSO (with which we started off this chapter)? Apparently the Steering Group interventions did not help overcome the structural weaknesses nor did they effectively bring about the pre-conditions for a successful co-operative structure. In particular, ambiguity over the role of the Steering Committee exacerbated the atmosphere of distrust and defensiveness that developed.

But would the outcome have been any different if it was not 'top-down' intervention? Firstly we must clarify the meaning of the term 'top-down'. Then, we must look at the problems

associated with particular form of 'top-down' approach adopted by the NT Steering Group.

#### 4.5.1 Clarification of the term 'top-down'

In Chapter 2, a 'top-down' approach was described in terms of the agency taking the initiative, setting objectives, and effectively controlling the course of the development. The NT Steering Group took the initiative, certainly: but it made considerable efforts to involve those who would work in the project in the preliminary work, and to share control with them (see 4.2). Can it be described as a 'top-down' approach in accord with the above definition?

The problem is that the term 'top-down' is both simplistic and emotive. In particular it conflates the question of initiation with that of control. To overcome this problem it is helpful to distinguish between being pro-active and being 'top-down' (i.e. controlling). This allows the possibility that an agency can take initiatives in relation to particular target groups or commercial possibilities, but do so in a way which shares control and is empowering of those who become involved.

To elaborate on the meaning of the term 'pro-active' in the co-operative development context: most CSOs see the need to be pro-active in a general sense by (a) publicising the co-operative ideal by education, propaganda 'seed sowing'; and (b) creating infrastructure support: getting public authorities and financial



institutions to make funds available to co-operatives, or to make low-cost premises available, or to agree in principle to give favourable consideration to purchasing from co-operatives.

But as Milford found (see Chapter 2.6) only the more experienced development workers felt it was valid to be pro-active in the sense of seeking out clients to initiate specific projects with: Gregory and Pierce, however, have both argued for the need for development agents to seek out new client groups among unemployed people in deprived communities (see 2.6).

Here is a definition of pro-active offered by another development worker: 'by pro-active I mean finding means in which we might like to stimulate the development of co-ops by offering our services to particular groups of people, for particular purposes'. (Andrew Green, Hammersmith CEDA). By particular purposes, he means particular industries or services the agency might like to promote for social, economic, environmental or other reasons.

The dangers of this approach, are, firstly, that it can become in effect synonymous with 'top-down' and therefore be liable to the same limitations - lack of appeal, dependency, lack of psychological ownership - if the initiatives are too clearly generated by the agency alone; secondly, such initiatives can be seen by members of the prioritised disadvantaged groups, as 'rescuing' and can lead to the 'Drama Triangle' problems as discussed in 2.5.

One crucial feature of the pro-active approach is that the recipient of the initiative is involved in decisions about objectives. In this way the above pitfalls associated with the 'top-down' approach are less likely to occur. Arguably, also, pro-action, if it starts with the open and clear expression by the agency of its objectives, and follows it through with a systematic negotiation process with client groups (starting from the latter's needs and expectations), continually clarifying mutual expectations and reviewing progress, then it can be the basis of effective, goal-directed, adult to adult relationships. (This argument will be developed further in Chapter 5).

How then do the Steering Group's activities appear when viewed in these terms?

The Resources Group made a decision that they would initiate a community industrial complex, consisting of a clothing factory and some small independent workshops (Case Study 1.2, para 2). They decided that they would directly initiate the former themselves: there was a high level of local unemployment (particularly in the textile trade); firms were moving out rather than in; there was little sign of any spontaneous initiatives coming forward. They carried out a feasibility study which came to fairly positive conclusions. With the workshops, though, they felt it was sufficient to advertise their existence

if they obtained capital to set them up (the workshops have always been well occupied). Given their overall aims - creating employment with good working conditions - I would argue that their decision to initiate, to be pro-active, was a legitimate follow through of their chosen objectives.

The development process, also, was 'pro-active' rather than 'top-down' in that efforts were made to involve potential workers in all decisions from the start. (See 4.2).

In summary:

- (i) Just as the reality of 'bottom-up' approaches often differed sharply from the espoused theory - as discussed in Chapter 2 - so it turns out that 'top-down' is a very inadequate label for what was actually attempted in the case of NT.
- (ii) For the sake of clarity it is helpful to distinguish between 'pro-active' and 'top-down'.
- (iii) On this basis, the NT Steering Group approach was more accurately described as pro-active - and it had valid reasons for adopting this approach.

#### 4.5.2 Problems with the approach of the NT Steering Group

Although we have now relabelled the approach as 'pro-active' rather than 'top-down', obviously it faced many problems and was ultimately unsuccessful. To what extent were these the problems

attributed to the 'top-down' approach in Chapter 2.2 - viz

- \* people not coming forward
- \* dependence
- \* lack of psychological ownership?

While there were some problems with the recruitment of the manager (see Case Study Ch.5), there was little difficulty finding people to fill the other posts. People come forward to apply for jobs in firms or services that are in effect other people's initiatives, all the time - including in established co-operatives which are recruiting new members. (The difficulty experienced by WEDA (see 2.2) was in getting groups of people to come forward to take up business proposals developed by the agency: but that difficulty can be seen in probabilistic terms: how many pre-formed groups are there likely to be in any area, interested in forming a co-op, and with interest and skill in a particular business line?)

Dependence: there was no indication that this was an issue - if anything the reverse is that management made clear their resentment of the Steering Group and their desire to sever links as soon as possible. (See Chapter 4.4 above; also personal note of quote from Production Manager: "the sooner I have that lot off my back the better"). A more gradual transition to an autonomous co-operative would have been preferable (as Finnegan argued in Chapter 2.6) and therefore

a measure of dependence should be expected. In any development process, dependence is healthy to the extent it gives the developpee the security to gain the skill and confidence that will ultimately enable him/her to become safely independent. Using a child development analogy, the NT co-operative management adopted a 'rebel child' position taking their bikes onto the main road before they had learned the hand signals.

Psychological Ownership: this was clearly a problem - see 4.4.

But (a) the first group of workers had a quite different attitude to later workers; it is reasonable to assume that psychological ownership would have developed if training had continued, problems with meetings and information systems had been overcome - see 4.4. The psychology of commitment is well understood.

(b) The production manager very much took over psychological ownership - to the exclusion of other members. (c) It is very common for people to be recruited to projects and gradually to come to 'own' them. Again, it is not clear that the problem is insuperable.

#### 4.6 Conclusion

The 'standard' criticisms of 'top-down' do point to some difficulties that occurred in NT (or that might well occur in a similar situation). However, these weaknesses do not provide an adequate explanation of the reasons for failure of NT. The underlying problems in this case lay in the fraught

and ambiguous relationship between the Steering Group and the Co-operative - in interaction with problems within the co-operative's decision-making system - and the failure to manage that relationship appropriately. In other words, this case of a (supposedly) 'top-down' approach reveals exactly the same sort of difficulties in agency-client relationships as have characterised (supposedly) 'bottom-up' approaches, (discussed in Chapters 2 & 3).

## CHAPTER 5

### TOWARDS MORE APPROPRIATE APPROACHES TO AGENCY-CLIENT RELATIONS IN CO-OPERATIVE DEVELOPMENT

#### 5.1 Introduction: The Argument so far and the Aims of the Chapter

The distinction between 'top-down' and 'bottom-up' has been an important, even central, feature of thinking about co-operative development in the UK.

'Top-down' has been little tried. It has been assumed this approach would be unattractive to potential workers, and that it would lead to problems of dependency and lack of psychological ownership. It has not been fashionable.

The 'bottom-up' approach is widely espoused. But this approach requires the embryonic co-operative group to be fully - and equally between its members - in control of the relationship with the CSO - an unrealistic requirement given the organisation, expertise and other problems of a new group; and given the 'investment' of the CSO in creating successful co-ops, it is difficult for it to hold back and take a purely responsive supportive role. Not surprisingly, this approach is not always followed faithfully by the agencies which espouse it.

We also argued that if the agency limits itself to responsive support to the client's needs, without making clear its own, then this is an unequal and unclear relationship vulnerable to the manipulatory processes described in the Drama Triangle.

An analysis of trends in enterprise development work generally, in the UK and abroad, suggests further reasons to query the effectiveness of the 'bottom-up' approach: in particular

- \* the perceived need to be 'pro-active' in targeting development to specific disadvantaged groups
- \* the need to invest heavily in training, infrastructure support, etc., if enterprises are to be successful - particularly if the participants start from a position of disadvantage
- \* the need felt by development agencies to vet initial applicants, carefully monitor progress, etc., in order to protect investments and reduce probability of failures.

Evaluation studies of UK CSOs are notable for the absence of credible performance measures concerning 'co-operative success' and the outputs of co-operative development work, and have concentrated instead on evaluating the process (working methods, etc). The evidence of successful co-operative development in the UK is fairly limited.



There seems to be a mismatch between the objectives of agencies - e.g. to concentrate on disadvantaged groups, to promote viable enterprises - and the methods used - which are still heavily influenced by the idea of a 'bottom-up' approach, and are prone to result in weak co-operatives unless members are already skilled and confident.

While the evaluation studies of UK CSOs point to a range of other problems as well, they clearly reinforce the doubts about the adequacy of the 'bottom-up' philosophy as a basis for agency-client relations.

But these studies were all of (supposedly) 'bottom-up' agencies. Since 'top-down' approaches have not been documented and evaluated in the same way, the case of Neighbourhood Textiles, widely considered to be 'top-down', is pertinent.

When NT is considered as a case of co-operative development with the Steering Group as an agency it turns out that:

- \* 'top-down' is a misleading label because it fails to distinguish between initiating and controlling; pro-action on the other hand involves initiation by the agency but involving the client group in decisions about objectives
- \* NT is more usefully understood as exemplifying a pro-active approach

\* the major problems in NT were not those predicted by the critics of 'top-down' - they concerned the ambiguity in relations between the Steering Group and the co-operative.

It appears, therefore, that (a) both 'top-down' and 'bottom-up' are inadequate and confusing labels for what is actually done; (b) far from having different problems, suggested cases of both approaches have essentially the same basic problem: that of managing complex agency-client relations.

Instead the problems of co-operative development will be more fruitfully addressed by recognising that (a) it may well be appropriate for agencies to be pro-active, or to be so to certain degrees, depending on their policy objectives and their circumstances; (b) whether the agency is more or less pro-active, its relationship with its client group is likely to be complex and problematic and to require a range of different behaviours at different times.

In the light of these points this chapter aims: firstly, to suggest some requirements for effective co-operative development work, particularly when (given the objectives of many CSOs) a pro-active approach is accepted as legitimate and necessary. These requirements are basically for a (responsible and visible) objective-setting process; and for a strategic planning framework to relate action to objectives.

Secondly, to introduce the concept of contract negotiation as a basic framework for the understanding and management of agency-client relationship. Apart from helping to prevent some of the specific agency-client problems encountered in NT and other cases, this approach is also likely to help ensure that the above-mentioned requirements for an effective and open pro-active co-operative development strategy are met. It should also induce CSOs to adopt less informal management decision-making procedures.

Thirdly, some of the implications of adopting the contract negotiation approach are explored as regards: how a client group might play a role in the CSO evaluation process; how contracts might be formed with an embryonic, not-yet-fully-formed client group; the skills and competences required of CSO staff.

## 5.2 Requirements for Effective Co-operative Development Work

Clear objective setting is necessary for any organisation to be effective - and in Chapter 3, it was found that this process was often absent in CSO management. This process also implies the CSO being responsible in that it obtains the resources or funds necessary to implement its chosen objectives. But in the context of a pro-active development strategy, in which the CSO and the client co-operative group are engaged in joint decision-making about objectives it is also necessary that

these CSO objectives are explicit - are clearly visible to the client group. Otherwise, there is the danger of manipulatory relationships, hidden agendas, etc. In general, therefore, a CSO needs to:

- i) set itself objectives that are or have a reasonable chance of being achievable, that are not mutually inconsistent or not too vague to be measurable, as discussed in Chapter 3;
- ii) ensure the pursuit of such objectives is costed, funded and planned - which in turn implies that these objectives are prioritised (e.g. in terms of target groups, or types of co-operatives), that the CSO's resources (development staff time, investment grants etc) are prioritised accordingly, and that the resources are deployed in a coherent manner. For example, Macfarlane (1986) points out that finance for development work should be made available in advance of an investment budget. Once the latter is made available, there will be pressure (political, administrative and from the community) to spend it even if the necessary groundwork has not been done.
- iii) ensure these objectives are explicit, generate appraisal criteria that can be made publicly available (MacFarlane) so that a client group knows where it stands.

A further requirement is for a planning process for the implementation of chosen objectives. We suggest here a strategic planning framework that would help identify options for action, and help to prioritise these various options by reference to success criteria generated by the CSO objectives. This process would help to identify the type of group/project the CSO would wish to initiate work with; and if the above process and framework are explicit and visible, to clarify to the embryonic client group where it stands, thus creating a clear and open agency-client relationship. Such an approach might start by distinguishing different types of co-operative and the development work associated with them, e.g:

- \* new start (Disadvantaged Groups)
- \* new start (High Fliers - new technology specialists, professionals etc)
- \* conversion of existing successful business (into co-operative)
- \* rescuing of failing or collapsed businesses.

Then a comprehensive set of co-operative success criteria such as those suggested by the GLC/GLEB and elaborated on in 3.2 would be devised and might be used:

- a) to check if success under each of these criteria is in line with the CSO's priorities and
- b) to analyse the potential for achieving such success if the different types of co-operatives are developed

For example, for conversion of an existing successful business into a co-operative: this would be a positive outcome on 'jobs created in co-operatives', 'creating a co-operative economy' and 'commercial success and survival'. Additionally, if appropriate conditions were negotiated and agreed in return for grant support, it might have a positive outcome on 'employment of disadvantaged groups', 'good conditions of employment' 'socially useful production' - as GLEB has attempted to do throughout many of the enterprises it supports -(conditions as to equal opportunity employment policy etc). But it would have no impact on 'Job Creation' (see 3.3.1). As the business is already set up, the development costs would be low.

This form of co-operative development might therefore appeal to a CSO/local authority in a relatively affluent area with a low level of unemployment (Croydon, Kingston, Richmond, Brighton and Southampton, for example).

With new start (disadvantaged groups) the development categories would need to be further subdivided into:

- a) enterprises which would/would not displace existing employment;
- b) disadvantage of group members who have/have not commercially relevant expertise and experience.

Likely outcomes might be expressed in chart form:

	Enterprise which would displace		Enterprise which would not displace	
	with expertise	without expertise	with expertise	without expertise
Job Creation:	little/none	little/none	positive	positive
Job Creation in Co-ops:	positive	positive	positive	positive
Job Creation for disadvan- tagged groups:	little/none*	positive	little/none*	positive
Commercial Success/ Survival:	medium probab- ility	low probab- ility	high probab- ility	low probab- ility
Good Cond- itions of Employment and Socially Useful prod- uction:	as per negotiated agreement with CSO - but far more difficult to attain if the probability of Commercial Success is low.			
Development Costs (in relation to size of unit):	high	very high	high	very high

\* higher if the reason of unemployment is pure, unfair discrimination.

This form of development might appeal to inner city authorities. But even there it raises the question of the cost/effectiveness of using co-operative development as a strategy of tackling the unemployment problem faced particularly by disadvantaged members of the community: development costs are high, a prolonged

training/development period is required, and the probability of commercial survival is low (as Macfarlane elaborated).

The preceding discussion is simply meant to be indicative of the considerations that a strategic planning framework might include, and the potential benefits of systematically exploring and clarifying the range of possible objectives, and options and their resource implications, under different circumstances. Such benefits, it is suggested, will arise both from the improved management of co-operative development resources, and from greater clarity over the basic agency-client relationships.

### 5.3 Contract Negotiation

This concept is introduced here as a basis for understanding and managing agency-client relationships, within the requirements that emerge from the pro-active approach.

#### 5.3.1 What Contract Negotiation Involves

In 2.4 we saw how a contract operated between Spanish and Italian CSOs and their client enterprises, incorporating:

- \* agreements on targets
- \* action steps and resource allocation
- \* monitoring of performance
- \* right to intervene by CSO if performance failing drastically to reach targets.



Oakshott also described the rights of the client co-operative in Mondragon to withdraw from this process.

In a contract

- \* both parties make explicit their expectations and check out the other's expectations
- \* parties negotiate and reach agreement as to objectives, action steps, resources used and method of monitoring progress
- \* parties regularly review progress
- \* fulfilment of agreed commitments is a condition for continuing relationship.
- \* both parties are held responsible for their actions: penalties are set for non-performance

Woolams et al (1974) define four basic requirements of a contract in the context of client-counsellor relationships (in the psycho-therapy context).

1. Mutual Consent: both parties are in agreement as to goals, means and predictable outcome.
2. Valid Consideration: an exchange takes place of goods or services between the parties so that the 'professional' is 'paid' in some way by the client (thus avoiding an unnecessary hidden 'parent-child' relationship in transactional analysis terms).

3. Legal Object: the contract is pursued by legal and ethical means towards legal and ethical ends (illegal contracts cannot be enforced in law).
4. Competency: the professional is adequately trained to perform what s/he purports to do, the clients are competent to enter the contract.

Contracting is used widely by other helping professions.

#### 5.3.2 Why Contracting?

Some specific benefits may include

- \* a clear right to information for the development agency (hence overcoming the problems encountered in NT - see 4.3)
- \* a means by which the CSO can protect its investment of money, time or reputation
- \* also a clear limit to the CSOs power to intervene - thereby reducing such problems as the defensiveness of the NT management towards the Steering Group ( - the former may not have seen any boundary on the latter's power and influence)
- \* as the client group is asked to make adult choices and take responsibility right through, relationships are less likely to degenerate into those described by the Drama Triangle (see 2.6)

- \* a way of ensuring that the distinctive feature of pro-action (vs 'top-down'), viz client group involvement in decisions re objectives, is maintained, and thus avoiding the CSO slipping into the 'top-down' approach with its associated problems (see 4.5).

At a second level, the requirements for a contract elaborated above help to ensure that the requirements for the pursuance of an effective and open pro-active development strategy by a CSO (see 5.2) are met. Mutual consent implies that agency objectives are explicit, project appraisal criteria are public knowledge, etc. Macfarlane argued above thus and also that the process for decision-making in application for support by co-operatives should be:

- \* clear
- \* consistent
- \* adhered to

Funding priorities, types of support and appraisal criteria can be published and reiterated at initial meetings with groups, as should financial repayment conditions, monitoring rights and obligations be made clear. (Like Mondragon 2.4, unlike Neighbourhood Textiles 4.4). Contractual consent implies full knowledge.

The contractual requirement of competency implies that the agency sets achievable objectives, which are prioritised, costed and funded, and which are followed through with detailed implementation plans. This has implications for staffing (see next section) and for the need for provision of concrete support services (as argued in 2.6): Lord (1986) lists some such services - eg.

- a) promotion/provision of suitable cheap premises for co-operatives;
- b) professionally managed in-depth training services;
- c) development of a network of professional/specialist advisors who can be called upon to compliment the efforts of the CSO.
- d) development of effective relationship with the local business community.

A further advantage of the contracting approach in agency-client relationships is that it would be incompatible with the type of informal and indecisive CSO internal organisational structure that CAG Lord found so prevalent (see 3.3). The CSO would have to adjust to clear objective setting, sharp decisions on priorities and resource use, monitoring its own performance (individually and collectively) etc if it is to enter into and fulfil contractual commitments with client groups.

### 5.3.3 Possible Problems and Further Implications of Contracting

The requirement of valid consideration might pose some difficulty for the UK CSO. Clients are offered a free service, and it would probably be unrealistic to expect most client groups to be able to pay a significant contribution to the development service costs, even if a CSO found it politically acceptable to charge for its services.

A possible way around this dilemma is to give the client the opportunity to evaluate the 'professionals' - explicitly and openly - on their performance, and to use the results of the evaluation to 'pay' the professional - thus empowering the clients.

At its simplest, this might mean that on each occasion a CSO monitors the progress of a client co-operative, the converse also occurs: the client might use a simple rating scale to assess the performance of the CSO - and the particular CSO worker who is assigned to them - on the time, quality of expertise, etc that the CSO committed as their part of the contract.

These ratings would then be used in the performance reviews of CSOs (and particular development workers) in the context of an objective setting - planning - performance review process, which both Lord, CAG and Macfarlane all argue are so necessary for CSO effectiveness. In this way, the client has the power to 'pay'

or 'not pay' the 'professional', just as the 'professional' has the power to withdraw their/his/her services, if commitments of contract are not met.

The requirement of mutual consent also poses a particular difficulty for negotiating with a collective party such as an embryonic co-op group. 'Mutual consent' implies that the various subentities of individuals within each party share in the contractual commitment. These subentities and individuals, therefore, have to be defined - a contract cannot be between unbounded, amorphous entities. But the nature of an embryonic co-op group usually means that all members are not involved at the development stage (see 2.4).

Hence the need to build into a contract a programme of change for the composition of the client group, and the roles of its constituent members - which in turn can be built into the contracts between the embryonic enterprise and its new members.

This programme of change would need to include the clarification and agreement of the degree of ultimate full member involvement in decision-making - in what decisions what members will be involved in, and what degree of shared decision-making (joint decision-making, major consultation, minor consultation, etc) as elaborated by Paton (1978) - the co-op initiators wish to attain. It would also need to ensure that the other basic

preconditions of effective co-operation - a fair measure of psychological ownership, etc., as outlined in 4.4.2 - are met; that systems are set up in advance of trading, that relevant training is planned in advance for new members.

The principle here is pro-active planning for and preparation of new members. New members' scope to re-negotiate will inevitably be limited by their initial contracts of membership and employment.

A third and vital implication of adopting a contracting approach is the requirement for staff with the skills and competence for entering into and carrying out contractual commitments. Some of these skill areas are as follows:

i) Business Advice Skills

The first clear requirement for the development worker in face-to-face contact with the client groups (e.g. in the local level CSO) is to have the financial, marketing and other business skills necessary to appraise a business plan and monitor progress in implementing a plan. (CAG, Lord and Macfarlane all emphasized the need for such skills). Such skills are required by the face-to-face worker if the business side of the contract negotiation process - appraisal of proposition, agreement on aims, agreement on information required for review, monitoring of progress, etc - is to be effective.

But (I argue) no other business skills are essential for all face-to-face workers. (Otherwise, one risks writing unrealistic job specifications). However, three other categories of business skills and information which it is important for the local CSO to have access to are:

- a) Training for co-operators in financial, marketing and other business skills.
- b) Advice on sources of funding, on availability of premises and negotiation of leases; on legal structures, employment law, trading law and loan agreements (Lord and Macfarlane emphasize the importance of all these factors).
- c) Detailed, sophisticated and trade-specific advice on marketing, financial planning, and production methods available either in a regional CSO or by the local CSO having a network of specialist consultants available, and a consultancy budget to hire such expertise (as CAG and Macfarlane recommend).

ii) Intervention Skills

Development workers need to have a wide repertoire of intervention skills. They work in a very complex environment: they relate to a range of individuals, with varying skills, experience and confidence levels; they work with various types and sizes of enterprises, at various stages



of development; they relate to a variety of officials from funding agencies and statutory bodies.

In Appendix 2, I suggest one categorisation of intervention skills (John Heron) and a categorisation of possible needs of a client group and then attempt to relate the former to the latter. Heron's approach suggests both authoritative or directive intervention (e.g. informing, confronting), and facilitative intervention (responding supportively or empathetically to the client).

In any event, it is clear that the intervention skills required by co-operative development workers go far beyond those needed by, say, a small business consultant whose concern with the internal decision-making processes and relationships of a client enterprise will usually be quite limited.

The crucial nature of psychological ownership and the other pre-conditions for a **successful** co-operative suggest extra dimensions to the intervention skill of the development worker. (See Chapter 4.5 where the failure of the Steering Group to intervene effectively in relation to the psychological ownership problems of Neighbourhood Textiles was emphasized). In particular the CSO and the client co-op need to explore, clarify and agree the degree of ultimate full member involvement that the client

group wishes to achieve.

In addition, the development worker will need to be able to recommend (or help the client group to work out themselves) systems for decision-making, information flow, member recruitment, member (and manager) training, conflict handling etc, consistent with the level of psychological ownership/ member involvement agreed. She/he will also need to be able to incorporate these factors fully in the on-going contract negotiation, development and monitoring process.

In summary, the face-to-face development worker needs a high level of skill in intervention in order to be able to inform, facilitate and negotiate (among other processes mentioned in Appendix 2) with a range of groups, on a range of issues at different levels (abstract and practical, impersonal and personal) etc. In Appendix 3 I suggest a model for this complex of processes, based on the work of Burgoyne and Cunningham in the field of management consultancy.

A final implication of the development worker skill requirements for the contracting approach is that it suggests a quite different view of the CSO worker career structure to that proposed by CAG. CAG suggested a career progression from local-level, generalist CSO work to more specialised work in regional or specialist CSO agencies. But the Burgoyne and Cunningham

argument is that specialist advice work is at the simplest or lowest level of intervention: that face-to-face process consultancy - specifically in the context of contract negotiation with a dynamically developing co-operative group - is the highest level of skill and that it should be remunerated as such - and that the whole co-operative support framework should be geared to delivering this service ( - a sophisticated version of the 'Godfather' advisor role played by Mondragon CLP development workers with client groups, as described in Oakshott, 1978).

#### 5.4 Summary and Conclusions

Effective development work requires clearly set objectives, responsible resourcing in relation to these objectives and an implementation strategy. Such requirements are particularly important if a pro-active approach is accepted as legitimate and necessary. Additionally, when a pro-active approach is adopted, it is important that objectives, success criteria and performance evaluation criteria are visible to client groups; and that the CSO has a planned strategy for relating options for action to objectives and success criteria.

The 'contracting' approach appears to provide a promising basis for understanding and managing agency-client relations. Although a comprehensive discussion of this approach is beyond the scope of this thesis, the basic idea, the main reasons for

expecting it to help, some difficulties that will have to be overcome and some other implications of this approach for co-operative development work - particularly in terms of development worker skills - were outlined.

The use of more explicitly pro-active approaches and 'contracting' are related since both require much clearer thinking about objectives, resources, time scales, etc. To this extent they may also help address some of the other weaknesses identified in the CSO evaluation studies - absence of clear decision-making procedures etc - but without expecting the adopting of a different approach, per se, to be a panacea for all problems.

## **APPENDIX 1**

### **THE STORY OF NEIGHBOURHOOD TEXTILES**

by Tony Emerson

#### **PART I - CASE HISTORY**

This Appendix is a reproduction of material previously published by the Open University Co-operatives Research Unit as No.6 in its Case Study series. Part II of the case study (Study Guide to the Story of Neighbourhood Textiles - also published by the Open University Co-operatives Research Unit) is not reproduced in this Appendix. It is referenced in the text where necessary.

# THE STORY OF 'NEIGHBOURHOOD TEXTILES'

by  
Tony Emerson

## PART I - CASE HISTORY

### Abstract

The story of Neighbourhood Textiles is in two parts: this document is part I and provides the basic case study. Chapter One describes the aims of the study, the way the information was gathered, and gives a summary overview of the project - an unsuccessful attempt to promote 'from above' a small co-operatively owned textile business engaged in 'Cut Make and Trim' textile work. Chapter Two describes the direct causes of the project's collapse - principally those contributing to low productivity. Chapter Three examines the information failures that allowed these management inadequacies to continue uncorrected. Chapter Four then examines two contrasting interpretations of the failure of Neighbourhood Textiles (e.g. in terms of inherent weaknesses in co-operative structures; in terms of insufficient employee participation) and a brief final chapter emphasises the problems associated with the management of co-operatives, and the implications these have for those trying to promote co-operatives.

Part II of the Story of Neighbourhood Textiles is a separate document containing a study guide and additional case material. It provides questions, exercises, discussion topics and source documents relevant to the case and the causes of business failure. It may be read as it stands, or perhaps more suitably, used as a source of educational material, activities and ideas either for those planning to form and work in a co-operative or for those engaged, professionally or otherwise, in the promotion of such enterprises. In general, the study guide aims to direct attention to specific oversights or mistakes and to highlight some of the inevitable difficulties. The reader is asked how else the difficulties could have been tackled or avoided. For example, documents relevant to the selection procedure for the Production Manager are presented (e.g. proposed job description, letter of application etc) for critical analysis; as are details of the original feasibility study, the financial record, and so on.

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and to my employer (Inner London Education Authority, South West London College) for allowing me some study leave to carry out this research, as part of an M.Phil thesis.

Errors, etc., of course, are my responsibility alone.

To reduce the possibility of any embarrassment to those involved in the project I have changed the name of the co-operative and removed all references to where the events took place - beyond the fact that they occurred in London.

(Tony Emerson, July 1982)

## CONTENTS

Acknowledgements	Page No.
1. <u>Introduction</u>	1
1.1 Aims	1
1.2 Background to the Project	1
1.3 Summary History	4
1.4 Scope and Method of the Study	7
1.4.1 Bias and Frames of Reference	
2. <u>The Direct Causes of Cause of Commercial Failure</u>	10
2.1 Reasons for Low Productivity	11
2.1.1 Recruitment	11
2.1.2 Training in Machining	12
2.1.3 Target Setting and Monitoring	13
2.1.4 Quality Control	14
2.1.5 Disciplinary Procedure	15
2.1.6 Payment System	16
2.1.7 Working Methods and Production Control	17
2.1.8 Morale and Motivation	17
2.1.9 Conclusion and Further Comment	19
2.2 Inadequate Cost Control	20
2.2.1 Too Many 'Non-Productive' Staff	20
2.2.2 Salary Drift	21
2.2.3 Miscellaneous Items	22
2.3 Poor Marketing	23
2.3.1 Insufficient and Inappropriate Orders	23
2.3.2 Pricing	24
3. <u>The Flow of Information - And the Failure of Monitoring</u>	25
3.1 The Pattern of Meetings	25
3.2 Chronological Record	28
3.2.1 The Hopeful Months	28
3.2.2 The Problems Emerge	30
3.2.3 The Collapse	33
3.3 Distractions	35
3.3.1 Site Management Arrangements	35
3.3.2 The Bullet-Proof Vest Order	36
4. <u>Explanations of Failure</u>	38
4.1 The Co-operative Structure As A Liability	38
4.1.1 Motivations for Managers	38
4.1.2 The Undermining of Managerial Authority	39
4.1.3 The Co-operative Structure as a Source of Problems	42
4.2 The Co-operative Structure as an Unused Asset	43
4.3 Conclusion	
5. <u>Neighbourhood Textiles in Perspective</u>	49
Appendix	52
References	54



# CHAPTER 1

## INTRODUCTION: AIMS, OVERVIEW, METHODS

### 1.1 Aims

This report covers the development of Neighbourhood Textiles and Workshops Co-operative over the period Summer 1978 to Autumn 1980 - when the textile co-operative went into liquidation.

It aims:

- (i) to record what happened, the main events that took place;
- (ii) to identify the likely causes of failure (1\*);
- (iii) with the aid of the accompanying Study Guide, to extract learning points for the benefit of future projects - with particular emphasis on
  - the selection of staff/members
  - the training and development of members

### 1.2 Background to the Project

Neighbourhood Textiles began trading in January 1980. The following paragraphs are an edited version taken from a history of the project up until that time - written by members of the Steering Committee for an 'inquest' meeting shortly after the closure of the factory:

"In 1977 the Neighbourhood Council Executive established a Resources Group....

'An Industrial Community Resource' was the outcome of thinking regarding employment - a complex which would be related to the local area, provide employment in an attractive way and with good facilities such as a creche and canteen. It would provide basic employment for 30 increasing to 50 people in a clothing factory, and facilities for five small independent workshops. These workshops would give a 'start' to the person starting up a business with some help the workshops would take on unemployed school leavers.

A grant was provided by the Council for the Resources Group to commission a feasibility study into the clothing factory....

....A report was produced after 6 weeks work which "examines the feasibility of setting up a new clothing factory combining this with a substantial training programme, and renting off spare space to small workshops. The report concludes that the project stands a very good chance of success providing that the basic recommendations are followed."

---

\*references are given at the end of the report

"This study identified, after a survey of the clothing industry in London, an opportunity for a cut make and trim (cmt) firm in ladies medium to high quality fashion outerwear, subcontracting machining work from designers and manufacturers. A machining firm entering this area of considerable unmet demand had every chance of success provided it met standards of:-

quality  
delivery  
price levels

It identified key factors for success as being:-

a nucleus of good machinists  
reliable deliveries  
effective quality control  
honesty in dealing with customers  
sympathetic customers in the early stages.

"The study was presented to a meeting of the Council and local voluntary organisations which approved the project and recommended it for Urban Aid funding."

The scheme was passed to a constituted Steering Committee to see through the establishment. This committee has representatives of the Borough Council, the Neighbourhood Council, the Resources Group, future workers and workshop personnel.... Its role was to create a framework within which the project could operate. It had to act as facilitator to; develop the business feasibility, to raise finance to set up the scheme, to find premises and bring them to suitable state for the envisaged uses, to equip the co-operative, workshops and creche, to deal with legal questions such as registering the co-operative and taking the lease on the premises, to set up a site management committee, to appoint the first staff in the co-op creche, and canteen and to let the workshops to small businesses. Once the ingredients of the project had been put together in this way the steering committee would dissolve itself and hand over all responsibility to the users of the site.

"... the steering committee decided to apply to the Urban Programme for capital and to the Manpower Services Committee (MSC) (under the STEP Enterprise Workshop scheme) for wages and some running costs until breakeven point. The Urban Programme application was fairly straightforward and in November 1978 was accepted for funding for the financial year March 1979-80. However, a major problem with this application was the was the difficulty in altering the costings of the project to account for inflation and other increases - resulting from the long delay in negotiating the lease on the premises. The project took over a year to implement after funding was agreed and the costs increased dramatically in this time - mostly due to revised architects estimates for the building repair and renovation work necessary on the premises. Total capital costs increased much more than inflation over the 14 months. The Department of the Environment (DoE) - which administers the Urban Programme - allow a 5% increase in the costs of projects during the course of a financial

year to account for inflation.... The MSC application was fraught with problems. MSC were unclear about their criteria for funding workshops and referred the application to various different sectors of the MSC over a period of 6 months. Various points had to be cleared up before the application finally went before the Area Board on May 18 1979. It was then given approval in principle on condition that several minor financial details were revised and a copy of the signed lease for the premises was sent to the MSC. Negotiation over the lease were prolonged and as a result formal contracts had not been signed between Neighbourhood Textiles and the MSC by the time of the cuts in STEP in July. MSC decided to cut all projects awaiting formal approval so Neighbourhood Textiles funding was lost. In order that the project could be saved the DoE agreed on a revised scheme funded entirely from Urban Programme money. The project now demanded a more rapid build up of business and acceptance of a higher risk. The Steering Group agreed that the number of trainees should be reduced and the recruitment of experienced highly skilled staff should be speeded up.

"In late December 1979, the MSC informed the steering committee that money was in fact still available within the STEP budget, that Neighbourhood Textiles could still be funded. The majority opinion on the steering committee was that the acceptance of MSC funding would require further major changes with consequent and unacceptable delays and that the project should go ahead on the basis of the revised plan.

....Premises were found with the help of the Council Valuers Department. These were 3 small factories on a site to be sublet by the lease holders. A company, Neighbourhood Workshops Ltd., was set up to take the lease and the steering committee's solicitor began negotiations with the leaseholders. Negotiations were long drawn out due to the need to refer back to the freeholders solicitors for re-negotiation of certain clauses of the main lease. After several months the freeholders insisted on a 10 year guarantee of rent before agreeing to the sub-lease to Neighbourhood Workshops. The steering committee asked the Council to provide the guarantee, but this was not legally possible. The Council then agreed to take on the lease in order to save the project, as by this time a considerable amount of money had been invested in architectural work on these premises....

Soon after the feasibility study was finished a decision was made by the steering committee that the textiles factory should be organised as a co-operative. The steering committee had itself investigated the co-operative form. It was felt that ownership and control by (mostly) local workers could help bring a measure of stability to the factory and the jobs, in an area which had suffered from job loss through firms moving, or being taken over and closed down etc. No firm decision was taken until a meeting of the council and voluntary organisations recommended that if the factory was to be set up with public money, it should be organised as a co-operative rather than private company.

"Towards the end of 1979 the conversion of the premises for Neighbourhood Textiles were well advanced, the grant arrangements agreed by DoE so a start date for the factory was agreed for early January 1980.

"Neighbourhood Textiles Co-operative" came into being in December 1979 and took over from the steering committee some of the remaining setting up work. Orders were obtained, the first workers were sent their letters of appointment and a co-operative induction week was organised for the first week in January, before production began.

As the workshops were completed from May onwards, they were occupied by four small businesses who remain in operation. The canteen opened in June and began to attract a growing custom from workers in the site around Neighbourhood Workshops. The creche was finished in July...."

### 1.3 Summary History

The steering committee had been well aware that setting up a co-operative 'from above' was a difficult, even contradictory, undertaking. So apart from the formidable amount of work summarised in the previous section and that was aimed at the basic essentials of setting up the project, the steering committee had taken considerable care over a number of other points. In the first place, it attempted to involve future members in the planning of the project and tried to attract residents of the area who were likely to be suitable. Perhaps understandably this was not very successful - apart from the delays, the intricacies of DoE funding conditions, for example, were a poor topic on which to introduce worker-members to the practice of co-operative decision-making. But the Production Manager - who, according to the feasibility study, was to be the senior member of the management team - was appointed six months before the factory opened so that he would have ample time, not just to help with the work, but also to contribute to, shape and identify with the project as it came into being.

In addition, the steering committee recognised the importance of key staff and devoted considerable time and effort to their recruitment, setting up a separate 'Personal Working Party' who prepared a detailed plan. For example, in relation to the Production Manager's job they worked out Job Description, hence a 'Person Specification', hence selection criteria, and then how the necessary information might be obtained. They sought advice on technical aspects from suitably qualified people. And they arranged both formal and informal interviews of the candidates. In fact, the plan was not carried through in some rather important respects, but the steering committee had good reasons for wanting to get someone in post as soon as possible.

Finally, the steering committee recognised that the freshly appointed members would need a chance to absorb and consider the implications of being in a co-operative. So a full week's training programme was designed to prepare them for working in a co-operative and for participating in decisions. This was the first week after the factory opened, and as well as discussions, talks on the financial plan, employee rights and the idea of a co-operative, the programme included a visit to a co-operative, a John Cleese film on meetings, and practice at running meetings. Although some bad feeling was created at this time over the appointment of a supervisor, there is little doubt that the programme was a success and the worker-members enthusiasm and confidence increased markedly. Indeed, this group of workers became an 'inner core' with a lower turnover than that among subsequent recruits.

Once production started (in January 1980) the Production Manager was in charge of most day-to-day decision making supported by an Office Manager, a Treasurer/book-keeper (so called because he serviced the steering committee as well) and a supervisor. He and the other senior staff, were accountable both to the monthly meetings of the members of the co-operative, and to the monthly steering committee meetings (the latter being responsible for administering the Urban Programme grant). In addition, informal 'production meetings' were held on Friday afternoons, and later on a 'Co-operative Management Committee' was formed.

The project started with twelve staff and built up to a maximum of twenty-six. It received a capital grant of about £160,000 and a revenue subsidy of some £40,000 under the Urban Programme. Table 1 summarises the financial records of the co-op, comparing actual performance with expected or anticipated performance (based on feasibility study projections). The figures exclude the revenue subsidy which meant the actual losses were not so great. But the revenue subsidy does not alter the key point, that the deficits greatly exceeded those for which provision had been made. As can be seen, actual income never came anywhere near projected or anticipated income.

By June 1980 it was obvious (to those who had access to the figures - a point we will return to in a later chapter) that they could not continue without more money, for which they applied to the Borough Council. A series of meetings were held with officers and committee chairmen from the Borough Council. The first meeting in July concluded that financial assistance would only be given if the July production figures showed a very significant improvement on previous months - and if firm evidence was provided regarding future orders.

The July figures did not show sufficient improvement and evidence about orders was not forthcoming. The Council gave the co-op a small loan to 'tide them over' but called in a firm of management consultants to appraise the co-op (this firm specialised in the textile industry, and were different to the firm involved in the Feasibility Study and the Steering Committee). The consultants produced a rather damning assessment of the co-op. The Council gave the Co-operative an opportunity to put forward a rescue plan themselves. This plan, which involved accepting the Production Manager's resignation, piecework and drastic reductions in earnings, was not accepted by the Council, and, at a meeting of committee chairmen in early September, it was decided to give no more assistance. This decision was conveyed to a meeting of all co-op workers. The co-op then formally went into liquidation.

Table 1

<u>PAYMENTS</u>		JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG
1. Staff Costs									
actual				21,876 <sup>a</sup>	10,797 <sup>b</sup>	9,835	7,077	12,719	5,623
budget		7,011	7,965	8,919	8,921	8,921	10,781	10,781	12,102
1a Direct labour									
actual								9,841	4,765
budget		2,862	3,816	4,770	4,772	4,772	6,632	6,632	7,953
1b Indirect staff									
actual								2,878	858
budget		4,149	4,149	4,149	4,149	4,149	4,149	4,149	4,149
2 Other costs									
actual				17,675 <sup>a</sup>	1,292	978	2,040	2,905	5,128
budget		2,400	1,665	5,350	3,164	2,308	1,533	3,158	1,533
3 Cumulative expenditure									
actual				39,551	51,640	62,453	71,570	87,376 <sup>c</sup>	98,127
budget		9,411	19,041	33,310	46,690 <sup>d</sup>	59,214 <sup>d</sup>	74,556 <sup>d</sup>	91,523 <sup>d</sup>	108,186 <sup>d</sup>
<u>RECEIPTS</u>									
4 Sales income									
actual				4,514 <sup>a</sup>	2,549	2,847	1,151	5010	760 <sup>e</sup>
budget		1,179	4,715	5,895	7,795	8,910	14,410	14,410	7,685
5 Other income									
actual					75	275		146	1,138
budget							275	350	350
Cumulative income									
actual				4,514	7,063	9,810	11,061	16,217	18,115
budget		1,179	5,894	11,789	19,659	28,844	43,529	58,289	66,324
<u>URPLUS/DEFICIT</u>									
Cumulative deficit									
actual				35,037	44,577	52,543	60,509	61,059	80,012
budget				21,521	27,031	30,370	31,027	32,234	41,862

Notes:

- Only cumulative figure available
- Five-week month
- Includes £182 payment for work sub-contracted
- Includes payments to trainees (£861 per month) and creche staff (£434 per month -o May, then £2167 per month)
- Low due to late payments - c£7000 received in early September

Source: figures supplied by the Borough Council Officer representative on steering committee

#### 1.4 Scope and Method of the Study

As a member of the Borough Council, I first became involved in the project in the summer of 1978, and when the steering committee was established a few months later, I was nominated to represent Council Members on it. Although the idea of this study did not crystallise until some time later, I considered the Neighbourhood Workshops project as providing me with important first-hand experience relevant to my work (management training for people setting up co-operative and community enterprises, at SW London College). I therefore made written notes of many of the events that took place and so as far as this study is concerned the research strategy is essentially participant-observation. Thus my role in the project gave me access to all the relevant documents and records (minutes, accounts, etc) and I attended numerous meetings, my recollections of which are supported by my own - and other people's - notes. In addition, after writing a first rough draft of this study early in 1981, I identified a number of points that needed to be explored further, and which I used in preparing a series of loosely structured interview with some of those involved. I interviewed

- the secretary to the steering committee
- the Management Consultant who carried out the feasibility study and stayed on to work voluntarily with the steering committee
- the Supervisor
- the Office Manager
- a machinist

The Production Manager was not available (he had left the country) and four other machinists did not respond to the invitation. These interviews took place between February and June 1981. I also interviewed another member of the steering committee in May 1982, specifically regarding the training programme. My efforts to get the Production Manager, Office Manager and Treasurer to comment on this draft were in vain. All three had left the country by then.

Given my involvement as a protagonist in the events, and given the limited number of people interviewed, it is clear that another person conducting such a study might have produced a somewhat different account and that this study cannot claim to be comprehensive and definitive. So what credibility does it have, and to what extent can the analysis be trusted? In answering this question it is important to remember that the primary purpose has been to identify causes of commercial failure with a view to 'learning the lessons' for any future projects. This immediately limits the scope of the study - and in a sense it also biases it. By looking primarily at the commercial failure, I do not emphasise other outcomes (though they are mentioned briefly in Chapter 5); and inevitably I concentrate more on the role of the co-op management rather than the Steering Committee, as the latter



had rightly or wrongly delegated commercial decision making to the former and there is little evidence (see 4.1.2) that the Steering Committee interfered with commercial management. But in reading the report it should be remembered that in the last analysis the Steering Committee bears overall responsibility for the outcome. However, the direct causes of commercial failure are not particularly controversial. As we shall see there are certain fairly 'brute' facts - concerning productivity and sales for example - where the record speaks pretty much for itself and about which the opinions of those involved would not differ significantly. These major factors, in one way or another, would loom large in any serious account of the collapse. In addition, there were a number of contributory factors - for example, lay-out and working methods in the factory - the significance of which is less easily assessed: another researcher might describe them in slightly different terms, might give them rather more or less emphasis, and might even exclude some while including some others. But even so, such differences would probably not be very significant in the overall picture.

The difficulties become much more severe as one moves further up the chain of inference, from the more or less direct and unambiguous factors, to the conditions that produced them, to the conditions that produced those conditions, and so on. The point is that the 'facts' (of poor quality, low productivity etc) are capable of supporting several quite different explanations of the demise of the co-operative - indeed, those involved disagreed sharply among themselves about what had gone wrong. Such disagreements may concern the 'facts', which may be disputed or given quite different emphases, but they derive more fundamentally from different frames of reference.

#### 1.4.1 Bias and Frames of Reference

Frames of reference may be coloured by the desire to justify one's actions or by one's personal values and social outlook (in particular, concerning the feasibility and desirability of worker co-operatives as an organisational form). An account of why the project failed must acknowledge such conflicting frameworks within which the events can be reconstructed. In Chapter 4 of this study I have attempted to 'try out' the different explanations against the available information. Not in order to prove or disprove particular hypotheses about co-operatives in general - for such general frameworks cannot be tested in so clear-cut a way - but to see if some of the explanations might fit the facts more easily and convincingly than others. Taken together, these better supported explanations (even if they derive from very different frames of reference about co-operatives) can be taken as the causes of the failure, from which lessons can be learned.

In short, the primary defence against 'bias' is to take very seriously the competing explanations for the events in question. Conscientiously undertaken, and subject to the scrutiny of others, such an approach may limit the effects of personal preoccupations and values and the selectivity of information associated with a particular role. But it would be naive to claim that good intentions in these respects are enough to insure against distortions and oversights. Hence, it may help the reader to know more about my concerns and activities as a participant in the project. Whether these point to axes that I grind or issues I have learnt over backwards to avoid over-emphasising, in either case they must have influenced the terms in which I thought about the events. This more detailed discussion of my involvement in relation to the analysis is in the Appendix.

In summary, therefore, this study does not pretend to provide an all-encompassing 'God's-eye view' of Neighbourhood Textiles - if such is implied by the notion of 'objective social research'. But it does aim at an orderly and dispassionate examination of the reasons why the project failed, using the methods associated with participant observation supported by the examination of documents and records and some additional interviewing. Given that the primary purpose concerns 'learning the lessons', it should be judged primarily in terms of the detailed 'learning points' it suggests - the specific pitfalls identified and the propositions about how they might be overcome or avoided in future (these form an important part of the Study Guide in Part 2).

It is not enough to know in general terms that co-operatives can fail through poor management; or that there may be disadvantages as well as advantages in the co-operative framework; that promoting co-operatives 'from above' is difficult. If these problems are to be tackled more effectively in the future it is important to know and to recognise the particular ways in which these difficulties may actually appear in the turbulent complexity of real co-operatives.

## CHAPTER 2

### THE DIRECT CAUSES OF COMMERCIAL FAILURE

This chapter considers the direct causes of commercial failure - low productivity, poor cost control and questionable marketing. Why these problems were allowed to persist in such degree is dealt with as a separate question in chapter three.

#### 2.1 Low Productivity

There can be little doubt that low productivity was a basic cause of the collapse. The feasibility study report, amended by the Production Manager to allow for inflation projected £5 production value per machinist hour. Productivity per machinist hour in practice, however, always remained between £1 and £3 per hour. This sub-section considers the factors that contributed to low productivity.

##### 2.1.1 Recruitment

The feasibility study specified that it was essential to recruit a core of highly trained machinists. The Personnel Working Group of the steering committee were aware of this - and also of the need to carefully select people with the right approach for working in a co-op.

But the evidence suggests that unskilled - and/or poorly motivated - workers were taken on. The Consultant's Report (August 1980) referred to many machinists being slow, producing poor quality work which needed lots of repair; to clients refusing to pay because of bad workmanship and to Neighbourhood Textiles being required to pay for spoilt materials. Additionally the minutes of various Co-op meetings referred to: 'time lost in bags for (firm B) and costs for (firm S) due to poor quality' (16.4.80); 'our last order for (firm D) dresses took 3 weeks owing to poor workmanship and slow work' (9.5.80); 'one order lost, one order ruined' (9.5.80). But what grounds are there for believing that such poor work arose from an initial lack of skill and motivation, rather than as a result of de-motivation, later on? In the first place, the Consultant's Report had concluded that 'recruiting procedures had been non-existent or poor', and told Council officers (verbally) that Neighbourhood Textiles did not use the standard machining tests used in the industry. Further evidence comes from the people interviewed.

According to the secretary to the steering committee, from late 1978 on, steering committee members leafleted local estates and collected names of potential machinists (as well as creche, canteen and other ancillary workers), and they kept in touch with them by letters and invitations to meetings, during the period up to the opening of the factory. But he felt that

they implied (during this recruitment phase) that there would be work for anyone interested and wanting to work irrespective of how skilled they were.

On a Saturday in March 1979, applicant machinists were asked to come in to be tested on machines, while applicant production managers were being interviewed informally. The aim was for applicant managers to observe the machinists, and vice versa - and for both to comment to steering committee members about the other, as well as steering committee members observing both! The resulting assessment, according to the Supervisor, was haphazard and confused, with so many people milling around. She thought she was the only one recording comments on each person - these were passed to the secretary of the steering committee, but she doubted that they were taken into account when the formal interviews took place in July. The panel for these interviews consisted of the Production Manager and two steering committee members, one of whom was herself a machinist in a leather goods firm. The secretary to the steering committee recalled people being selected for interviews on the basis of experience and he understood that the panel had looked for 'good solid machining ability' and 'co-operative interest' - as indicated by, for example, experience of tenants associations, being used to talking things out. But he did not recall those applicants who had not been present in March being given machining tests - nor did the Supervisor. And according to the secretary, only 3 of those interviewed had attended the machining tests in March.

The machinist interviewed for this study was one of those who attended both in March, when (she said) she was not sure who judged whether or not her work was competent; and in July, when she was asked such questions as 'why would you like to work in a co-op', and 'how many years experience have you'. She was given a form to fill in - but was not asked for a reference. The form was a brief questionnaire and although it probed actual experience reasonably well, it contained leading questions about willingness to work hard and to be further trained: that is, anyone wanting a job would have said 'yes' to them. This machinist felt that some unskilled workers got through the selection process - indeed, she said that one (not a trainee) admitted to her privately that she never worked as a machinist before - so, presumably lied at the interview. And in fact the Supervisor gave two examples of people appointed without the required degree of machining skill. One was a lady who had not worked in a factory for 20 years. She was given a job, but left after two weeks with the worry of not being able to do the work. The Production Manager persuaded her to come back as quality controller, with the agreement of other workers, who felt she was a very positive co-operative member and did not want her to go. The other was the Supervisor herself. She had only done homeworking for the last eight, although she had four years experience of factory work before that. She said the Production Manager told her not to worry - "it's like riding a bicycle".

In due course, and rather ahead of plan (see 2.2.3) the co-operative recruited a 'second batch' of machinists. A number of these people were 'ear marked' during the earlier recruitment phases and told that they would be asked back for a test and interview later; according to the secretary to the steering committee these did not take place. This is confirmed by the then acting office manager and a steering committee member actively involved in the selection process. According to them, the acting office manager passed on to the new office manager (on her taking up post) a list of people to be interviewed for machinists posts. But, they claim, the new office manager sent out letters offering them jobs, despite their efforts to clarify the matter to her. The new office manager claimed that she had been told by the Production Manager that these people were ready to start; she was not sure whether they were interviewed or not - some had remarks written beside their names. So it seems that the office manager- acting primarily on the instructions of the Production Manager, did not 'hear' what others had to say: such a communication breakdown could, plausibly, have led to mistaken appointments.

As regards other recruits, both the office manager and the Supervisor were involved. The former said she would give applicants a briefing talk on what a co-op involved, as she was asked to do. She then reported to the Production Manager and/or the Supervisor - that the person 'seems quite nice, or whatever'. (Apparently they did not attempt to probe attitudes or co-operative working skills.) The latter arranged machining tests - though there was a particular problem in the first few weeks in that they only had one type of sample (bags) to test people on - difficult, and not typical of most of their work. For the first few applicants, the Production Manager and the Supervisor both came to a judgement 'whether she could handle a machine', based on simple observations such as 'whether stitching straight', whether tidy, fast, etc. Later on, the Supervisor made a judgement on her own. She recalled one particular incident: she felt an applicant to be untidy and slow. The Production Manager and the Office Manager asked the Supervisor to report her findings to them in front of the applicant. The Supervisor did so - but the Production Manager still decided to take her on. Her work turned out to be very unsatisfactory, and they eventually persuaded her to leave.

In conclusion, these recollections seem to endorse the Consultants comment, quoted above, that recruitment procedures were 'non-existent or poor'.

### 2.1.2 Training in Machining

Even if all machinists had been selected for their skill as was planned for the initial stages, some on-going on-the-job training would have been advisable. Given that people with little skill 'slipped through the net', training was that much more vital. However, the Supervisor confirmed that there was no retraining period for people who might be out of practice for a number of years (by contrast, she herself received two weeks training

when appointed as a skilled machinist with another firm the following year). Neither did she receive any training in her role as Supervisor - although she said she was promised such training before she took on the role. She recalled that training was provided for people classified as trainees: the Production Manager drew up a programme, consisting of practice work using six designs (ranging from straight lines to squares, zigzags and squiggles) on squares of material. However she had judged this was too long - the trainees got bored. So she said she changed it to practice on actual garments, and later she passed responsibility for training over to the second Supervisor.

### 2.1.3 Target Setting and Monitoring of (Individual Machinists') Work

The Consultant in his report pointed out that targets were not set for individual workers. In his opinion the manager or supervisor should have a precise knowledge of the capability of each machinist and set production targets for each individual that would stretch her to the limit. The absence of target setting is borne out by the members I interviewed: according to the Supervisor only in the last few weeks (end of July, August) was work closely monitored - but still without a breakdown of who did how much work.

The machinist recalled that at first, the Production Manager said that it did not matter how many garments they did, as long as they did them properly; later on, as problems arose he did say how many garments on average a worker should be producing a day - but never expressed it in the form of a target for each individual. Hence the main feedback people received was when the Supervisor took faulty work back to them - i.e. negative feedback on quality of work only. The Office Manager recalled an occasion when, after three machinists were not accepted for co-op membership, the Production Manager admitted their poor work standard had not been pointed out to them, nor had training been offered.

My own notes of a Co-op meeting (9.5.80) may help to highlight this problem:

"Worker A blamed quality of material in relation to machinery being used. Production Manager blamed people for not notifying Supervisor immediately (when such technical problems arose). Worker B said some machinists were not working hard enough. B then argued that people should be paid according to the work they did. Production Manager and Supervisor supported this idea. B then queried why the second batch of machinists were taken on. Worker C said Production Manager should be seen on the shop floor more often - he would pick up who was working who was not. Proposals were then made to

- a. have a selection sub-committee to hire/fire non-members\*

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\*i.e. whether or not to accept new workers into membership after a probation period. Note there is a strong feeling that the newer recruits were responsible for the poor work: if true, this may be evidence of slipshod selection; if not, it may have just been scapegoating.

b. have a bonus scheme based on individual work done  
Production Manager: 'basic problem is that some people are not pulling their weight'."

From this discussion (which became quite heated) a number of points seemed to me to emerge:

- some machinists got bogged down with problems with their equipment and/or 'blamed their tools' for their inefficiency;
- some worked more conscientiously or more competently than others;
- without any recognition or acknowledgement for their work;
- thus demoralising the more competent or diligent and creating tensions between workers
- Production Manager was only able to respond in a generalised "some (unidentified).... not pulling their weight";
- with nobody knowing precisely who he was getting at: those who felt they were competent would have felt annoyed, those unsure of themselves would probably have felt uneasy.

The problem behind all this was that no-one was systematically monitoring the work of individual machinists - neither the Supervisor nor the Production Manager.

As regards the proposal to pay individual bonuses, this was implemented by the Production Manager (according to the Supervisor borne out by the Office Manager) by 'giving the odd person the extra fiver in their pay packet on the quiet' - based presumably on his subjective evaluation of their work. Unfortunately, no real solution resulted from this meeting. The Co-op Management Committee (1.7.80) concluded, after monitoring the progress of an order through the factory that 'individual machinists targets not specified' and 'Supervisor and machinists felt Production Manager not on the shop floor enough.... or giving Supervisor enough backing'.

#### 2.1.4 Quality Control

The Consultant in his report concluded that quality control was 'non-existent' despite (in his view) the employment of too many managerial/supervisory/checking staff relative to the number of machinists. The management consultant member of the steering committee claimed he discovered at the end that there was a 50% rejection rate for garments - and that they had three people on quality control at one stage. It seemed to him that they tried to solve the quality problem by using more people to detect faulty garments rather than tackling the problem of faulty production at source.

Tracing this historically, it was reported to the steering committee in February that one of the machinists was now on quality control and that the 'quality of work is now acceptable.' (But see section 2.1.1 above as to why that person was on quality control!) But the Co-op meetings on 16 April and 9 May referred to continuing quality problems. And the minutes of the June 9 meeting record: 'A quality control system will begin next week' implying that no system had been in operation up till then.

So what had been happening? The interviews offer some clues: the machinist felt that quality control workers were scared to bring back defective garments to workers themselves, as they should have done, but left it to the Supervisor to do. The Office Manager claimed that by May she had realised that a lot of defective work was being done, that one order had been ruined; but she was told by the Production Manager not to interfere, not to say anything to the machinists or the Supervisor. The Supervisor candidly admitted to the quality problems -

"We paid for so many materials because we bodged them up," - and she said of the quality control system before June "it used to get mixed up. We would look at dresses compared with samples. If I felt they were untidy, I might say 'give it back to her' - but the Production Manager might say 'let it go'. The checkers were confused as to what to let go or not let go (as well as to the deadline dates for orders.)"

#### 2.1.5 Disciplinary Procedure

Adequate selection, training, target setting, etc would have reduced the need for disciplinary action. But, in the situation that arose in Neighbourhood Textiles, it would seem to have been necessary to have some means of taking action against inefficient workers. Needless to say, without any clear record of who was doing how much work, it would have been very difficult to instigate a just and effective discipline system. A frequent complaint made by the Production Manager was that he did not have authority to discipline (and ultimately to dismiss) workers. And, indeed, his job description and employment contract did not contain any explicit reference to responsibility for discipline. On the other hand the secretary to the steering committee claimed that this omission was at the Production Manager's own request. And the Terms of Employment for all workers, agreed at the Co-op meeting 25.2.80, gave the 'manager or supervisor' power to give verbal and written warnings in accordance with legally accepted practice. Dismissal, however, would be a 'collective decision of members'. So the Production Manager did have the power of discipline up to the point of the final written warning. But, he did not use it: none of the people interviewed recalled any instance of a formal oral warning being given, certainly no written warnings or summons to discipline committees. The Supervisor recalled one worker being asked to leave, as her work was poor, and she agreed to do so. She recalled another machinist having a 'stand up' row with her. The Production Manager brought the machinist into the office on his own (on the Supervisor's suggestion, so as not to humiliate the machinist). The Production Manager told the Supervisor that he threatened the machinist with the sack - but without recording the warning in any way: 'She was a good machinist anyway.' The Office Manager said that the Supervisor had trouble getting people to do what she wanted them to do - she was abused when she brought garments back to be redone. The second Supervisor was much firmer - she seemed to get results by threatening people with the 'managers' office'. The Office Manager also recalled one worker ('X') saying of a fellow worker ('Y') to the Production Manager: 'unless she goes I will.' The Production Manager, she alleged, replied that he could not get rid of her even though she was a poor worker -



but he would 'give her enough rope to hang herself.' In the Production Manager's view, Y was not a poor worker.

In short, disciplinary procedure was rather haphazard. In order to tackle this type of problem, the Co-op meeting (9.5.80) set up a 'decision making committee' consisting of the Production Manager, Supervisor, Treasurer/book-keeper, cutter and two machinists 'with authority vested in it to hire and fire at short notice.' But the result of this decision was that:

- a. workers performance would be judged by a committee of fellow workers (admittedly, more senior workers)
- b. without a clear record of their work performance
- c. without, presumably, any clear warnings being given before being summoned to this committee.

Not surprisingly, various people expressed dissatisfaction with this arrangement, and pointed out that workers would be unwilling to judge their colleagues in this way. No worker was actually summoned before this group, but the performance of various workers was discussed by them. It did seem like a recipe for creating ill feeling between workers.

However, neither the Production Manager nor anyone else (including the steering committee members present) effectively opposed this proposal at the May meeting, or tried to point out consequences likely (such as a, b, and c above). The Production Manager and others criticised these arrangements when they found them unworkable and authority to fire was given to the Production Manager at the Co-operative Management Committee (1.7.80) 'for a 3 month trial period'. In fact this arrangement only operated for two weeks, before the Production Manager went on sick leave. The results are discussed in relation to morale and motivation later; in any event, it seems fair to conclude that such disciplinary procedures that existed seem to have been arbitrary and erratic - and of doubtful effectiveness.

#### 2.1.6 Payment System

The steering committee (7.1.80) set up a sub-group to consider alternatives. A questionnaire was produced and circulated among workers. The sub-group analysed the completed forms and presented their findings to the Co-op meeting on February 2 which accepted that (a) attendance and punctuality bonuses be paid to all individuals ( - a scheme advocated by the Production Manager during the training week), and (b) a shared production bonus (if turnover topped a certain figure). According to the Supervisor the punctuality bonuses were paid up till July or thereabouts, but arguments resulted about exact time of arrival. In addition, there was a £5 raffle draw for all who came early as an extra bonus, but she and the cutter disagreed with this system. In the event the production bonus was never paid and the machinist said it was not an adequate incentive to prevent people taking time off sick (for which they were paid).

So it seems that the payment system did not provide sufficient work incentive. This issue was brought up at the co-op (9.5.80), as already referred to (see 2.1.3) and the result, ultimately, was the rather arbitrary '£5-in-the-pay-packet-on-the-quiet' system (- though no more than about £25 in total was paid out in this way). Whether an individual bonus scheme would have been necessary to achieve improved performance is a matter for debate. The Consultant concluded that if a rescue operation were to be attempted 'it may be necessary to introduce piece work.... at least in the short term' (my emphasis). What is essential is some means of giving workers feedback on their individual performance. A bonus scheme would have made that feedback more forceful - but it might also have created pressures preventing<sup>2</sup> co-operation among workers.

#### 2.1.7 Working Methods and Production Control

The Consultant (verbally to Council officers) said he was not very impressed by the type of machinery chosen, the lay-out of machines, the flow of work through the factory etc. How important a factor this was, is hard to say. The Consultant on the steering committee considered that they spent a lot of time doing (free) sampling work on inappropriate orders - e.g. heavy coats, bullet proof vests - for which they did not have the right skills or machinery. He thought the product mix was poor and that workers were being shifted from one order to another according to which customer was shouting loudest - thus creating a rather unplanned, discontinuous work pattern.

It was proposed at one stage that section work be tried (Co-op meeting 9.5.80) "and accepted that those who wish may make a group agreement to work this way". According to the Supervisor only a couple of women did attempt section work - but one was absent for a week or so - so it did not work out and was abandoned. (2)

Arguably collective working methods would have been in accord with the traditions of many of the workers - particularly of the West Indian women ('you help your sister if she is slow or having trouble' was one comment made when discussing this idea). However, the machinist interviewed, of West Indian origin, felt that most workers would not have liked it, although willing to try it herself. But she believed much more use should have been made of experienced machinists in helping the less experienced.

#### 2.1.8 Morale and Motivation

The Consultant's Report concluded that morale in the factory was 'the lowest of any he had visited' and that the 'self-motivation which might be expected in a co-operative' was not apparent, that machinists were 'lacking motivation, not taking on a personal responsibility for their work'. This was certainly a very different impression to that gained by those who visited the factory in the first few weeks of operation: what went wrong?

The decline in morale and motivation can be explained, largely, in terms of the factors just listed - e.g. unsatisfactory payment and disciplinary systems, people not knowing what was expected of them or how well they were doing, hearing allegations that some (unspecified) people were not pulling their weight, and so on. However, some further specific factors may well have contributed to the collapse of morale and motivation (broader explanations - e.g. the Production Managers claim made to Council Officers in July that the participative nature of co-operative decision-making was the cause of the decline, - are considered in chapter 4). In the first place friction between two of the more senior staff (who helped manage in the Production Manager's absence) was obvious enough to draw comments from the machinist, the Secretary and the Management Consultant on the steering committee. Secondly, both the machinist and the Supervisor recalled workers saying that there was money from 'the (Borough) Council' to pay them - and so they were not really worried. Thirdly, there were divisions among the workforce: that between the original and later recruits has already been mentioned (see 2.1.3 above).

A division may also have existed between those who were and those who were not concerned about the co-operative. The machinist thought that some of the younger workers in particular, although quite skilled, were not really interested: for instance they would not bother to stay for the meetings on Fridays. She also felt bitter that these included the people who were getting their child-minding fees paid by the factory. This issue of child-minding fees seems to have been a source of friction and points to what is perhaps the most important additional reasons for the decline in motivation and morale: the failure of the co-operatives meetings to provide a forum for the constructive airing and resolution of grievances. Aspects of this failure - particularly concerning the way information was presented - are discussed in the next chapter, but a number of recollections will suggest the extent of the problem.

The machinist interviewed remembered a very bitter reaction from some of the mothers when she suggested that the child-minding fees be held back until the creche opened. And generally she felt it was difficult to raise issues at meetings - that a lot of bad feelings were expressed at them. According to her, at one meeting, the Production Manager (in the course of warning people about poor production) mentioned that she and another experienced machinist sat in the middle of the floor where they could see everyone - and therefore note who was or was not working. Some workers then accused her and the other woman of 'carrying news' (i.e. spying) on them. They had to get the Production Manager to clarify at the next meeting that they did not report to him about people in this way.

The Secretary to the steering committee thought that the outcome of the Friday meetings was that the workers felt 'put down' by the Production Manager: that he gave false promises regarding orders (a feeling shared by the machinist), and that he 'ranted' on about poor production, lecturing good and bad alike regarding punctuality, low productivity, unnecessary talk and chat. As regards the formal co-op meetings, he felt that (a) the large size of the group, (b) the lack of motivation of management to make them work, resulted in these meetings being more destructive than encouraging. Moreover, workers came to him on two occasions with complaints over payment entitlement - they felt they were not getting satisfaction from the Production Manager. He arbitrated with the Production Manager but he felt there should have been someone in an advocate or arbitrator role - but that he was not appropriate (even though the workers seemed to want to use him so) because of his role with the steering committee. Finally the Office Manager claimed that people were continually complaining about the Production Manager and that she had tried unsuccessfully to get people to take their grievances to meetings (anonymously if necessary).

So it seems that meetings did not serve one of their basic functions: to discuss Grievances or propositions members may have had, leading to decisions on action to be taken; but rather they contributed to the problems of demoralisation and demotivation.

#### 2.1.9 Conclusion and Further Comment (re productivity)

The Consultant in his report concluded that Neighbourhood Textiles was one of the least efficient factories he had come across. After recommending bringing in a consulting firm to carry out a complete re-organisation and top-to-bottom retraining exercise, he said that his firm although looking for work, would not want to take on this project. It is hard to assess which of the factors were most crucial in contributing to low productivity, and in any case they tended to feed on each other. Many of them were encapsulated in the different responses to the Production Manager's assumption of complete disciplinary power, following the decision of the Co-op Management Committee (see 2.1.5 above). We discussed whether the changes were working at the next steering committee meeting: the Production and Office Managers said they were, the Supervisor said they were making things worse. No clear information on performance was available - so people believed what they wanted to believe. When interviewed, the Office Manager said there had been a feeling "now things should go OK" - people seemed a bit brighter. But according to the Supervisor: "From the week he took over till he went sick (2 weeks later) there was tension. He kept threatening "....going to be changes around here, now that I have full control" without specifying what. He also asked me into office and told me that my wages were going up to £110 a week - 'but keep quiet about it'. He also gave rises 'on the quiet' to the two checkers and the cutter - but not to the assistant cutter - facts I only found out about at the liquidators meeting after the closure." She felt that this type of thing made the atmosphere worse.

## 2.2 Inadequate Cost Control

The last section considered the more immediate reasons for low productivity among the machinists and taken together they probably provide a sufficient explanation for Neighbourhood Textiles' demise. However, the failure to control costs, particularly administrative overheads, was suggested as seriously accentuating the financial problems, and this section examines the extent to which this happened, and how.

### 2.2.1 Too Many 'Non-Productive' Staff

Out of a staff of 26, at the maximum, the following could be classed as 'non-productive': Production Manager, Office Manager, Treasurer/Book-keeper, 2 Supervisors, 3 'checkers' (for short time only), canteen lady (part time), cleaner (part time).

The Consultant's Report suggested that there were "too many managers/supervisors/checkers etc compared to productive machinists. In a conventional clothing factory, management supervision is probably done by two/three people."

That they were 'top-heavy' was eventually felt by the members themselves. In the 'last ditch' submission (to the Council for more funds, 9.9.80), the steering committee and the Co-op claimed they could operate without the Production Manager and the cutter, under the combined management of Supervisor, Office Manager and Treasurer/Book-keeper. Doubtless other combinations would also have been possible - but they were not considered until it was too late.

So how did so many 'non-productive' staff come to be employed? Were they recommended in the feasibility study? Or did they just 'creep in' later?

The next section records how the Treasurer/Book-keeper post grew in status and cost as against the feasibility study's: 'wages and book-keeping clerk'.

Another departure from the feasibility study plan was the employment of the second Supervisor. According to the Secretary to the steering committee, she was appointed as an Assistant Supervisor about July 1 when the Supervisor was saying that work was too much for her. During a short illness the Assistant Supervisor took over, and on her return, it was agreed that the Assistant Supervisor continue as a Supervisor (with extra payment). The way one of the 'checkers' (quality controllers) came to be appointed has already been mentioned (see section 2.1.1) but it can be argued that the excess of 'checkers' was compensated for by not employing certain other workers: they did not employ the van driver/storeman nor the maintenance person, allowed for in the feasibility study. On this basis, the level of non-productive staff did not stray far from that proposed in the feasibility study - an extra Supervisor for two months, and an 'elevated' book-keeper. But if one questions the staffing level

proposed in the feasibility study - at least, in the light of the project as it developed - then arguably it was not necessary to have the Production Manager and the Office Manager and the Treasurer/Book-keeper. The wisdom of paying a cleaner and a canteen lady might also be queried - although these costs were small.

In passing we can note that the proliferation of Supervisors and checkers suggests that when problems arose the response was to appoint someone new to deal with them. This is easier than analysing systematically how the problems arose, asking questions about the organisation of work and how people are performing - a threatening process.

### 2.2.2 Salary Drift

The Production Manager was engaged on a salary of £8,000 p.a. plus car, from August 1979 - i.e. almost 6 months before the factory opened. His contract specified that his salary should be subject to a review every 6 months and the steering committee reviewed his salary on 4 February 1980 (less than a month after production started). The Production Manager requested a rise to £10,000 p.a., the current market rate, he claimed. The steering committee agreed it was policy to pay market rates for all jobs, and agreed to recommend this salary increase to the next co-op meeting. (The Management Consultant to the steering committee, when interviewed, claimed he had checked out the original salary level with 'head hunting' firms and with adverts in trade journals.) The Co-op on February 25 discussed this recommendation. One observer from the steering committee suggested it would be more appropriate if the Production Manager left the meeting for this decision - but the Production Manager felt this was not necessary and the matter was not pursued. Another steering committee member advocated the increase, commenting 'the trouble with British industry is that it does not pay its managers enough'. The recommendation was agreed. The same February meeting of the steering committee noted that the Treasurer/Book-keeper "wants a job description as he has been promoted from book-keeper to Treasurer" and agreed to draw up a job description. The feasibility study had recommended a wages and book-keeping clerk on about £3,000 p.a. but a month later the steering committee "agreed to recommend to the Co-op that his salary be increased to £5,000 with a further review after 6 months. It is understood that the increase is possible with the savings from the staff supervisors post." So for the April meeting of the co-operative, Item 6 read: "Salary increase for Treasurer who has been employed on scale for wages clerk only. Treasurer proposes that his salary be increased to £6,000 per year"; and the minutes record "It has been agreed to raise.... (Treasurer/Book-keeper's salary).... to £6,000, backdated to April 1." (sic) Again, The Treasurer/Book-keeper was present at all these meetings. The careful reader will have noticed an unexplained jump in the proposed increased salary - from £5,000 to £6,000.

The salary increase stopped here. The Office Manager's request for a salary review (at the April and May meetings) fell on deaf ears. The wage review for all staff (promised for June at the Co-op meeting 25.2.80) never took place, as they agreed there was no money. They even decided (Co-op 9.5.80) not to pay the Supervisor the rate initially proposed for a Supervisor- but to continue paying her at the basic machinists rate.

The overall cost of this upward drift was not very large - perhaps up to £2,000 could have been saved by bargaining with the Production Manager and the Treasurer/Book-keeper. But these increases may have created unfulfilled expectations among other staff - thus adding to the demoralisation problem referred to previously.

### 2.2.3 Miscellaneous Items

Management Consultant on the steering committee said that staff were taken on ahead of the modified feasibility study plan (on which financial planning was based). In March, April and May they averaged 19 machinists, as against a budgeted plan for 15. But they still kept close to the expenditure budget, according to him, because of the other staff they did not take on (van driver etc. - see 2.2.1).

The machinists interviewed felt they should not have taken on the extra machinists around March as the only work they had for them was a very unprofitable order on bags and the Supervisor felt that although there was work for them initially there were no firm offers to follow up when that order was finished.

So why were they taken on? The Secretary to the steering committee recalled the Production Manager saying at one stage that he must take on more staff in order to impress a potential customer that they could produce the quantity of bullet-proof vests he required - but this explanation strains credibility, since this 'potential order' was never a serious possibility (see section 3.3.3). In any event, it is possible that by expanding ahead of schedule the financial problems were aggravated (- and quite likely that the problems of production management were aggravated).

Another 'non-essential' expenditure was on child-minding: a minimum of two and a maximum of eight children had fees of between £10 and £15 per week paid for them, totalling about £2,500 over the life of the co-operative. A significant sum - but not the major factor it was claimed to be (see chapter 3). Finally, there is the question of business expenses. The Secretary of the steering committee felt that these were high at times - e.g. £40 for a meal for three. But they were always accurately recorded with receipts submitted to the Treasurer and he felt that (rather than be 'penny pinching') the Production Manager should be given all the resources he needed as he had promised to resign after a year if he was not succeeding.

The Office Manager felt expenses were minimal - and could only recall one dinner for a very significant customer, and the trip to Paris (see following section) which was done on the cheap. So although these expenses may have been high they were not significant factor.

### 2.3 Poor Marketing

The last major area of weakness that may have contributed fairly directly to the collapse was the Neighbourhood Textiles marketing. According to the Supervisor they always had enough work - except for a brief period about the beginning of June (when they made childrens dresses for direct sale to consumers). But would they have had enough orders if they were getting through work quickly and efficiently? And were they attracting the right sort of orders at the right price?

#### 2.3.1 Insufficient and Inappropriate Orders?

The Management Consultant on the steering committee made the following criticisms of the co-operatives approach to marketing.

- the Production Manager did not follow up the more appropriate leads (as indicated in the feasibility study) but spent a lot of time - and committed Neighbourhood Textiles to a lot of free sampling work - on inappropriate orders (e.g. heavy coats, bullet-proof vests) for which they did not have the appropriate skills or machinery;
- he did not advertise in the appropriate trade journals for work;
- he should have gone more often to successful manufacturers or designers, directly;
- he should not have bothered going to Paris fashions (- more appropriate for retail and design firms rather than cut, make and trim).

In fact, the Management Consultant claimed that he himself or the Office Manager or other people, but not the Production Manager, actually obtained most of the orders. He thought the Production Manager did not seem to be able to distinguish between firm orders and speculative orders (this was also noted by the machinist: she felt the Production Manager was constantly telling them about the fantastic orders he had obtained, in order to re-assure the workers and also to make them feel he was doing his job). And finally, he emphasised the damage done by Neighbourhood Textile's reputation for unreliability. For example, one major client, whom he introduced to Neighbourhood Textiles, told him that she had enough work to fill the factory for a considerable period: she would like to have given more work to Neighbourhood Textiles but could not rely on them after the first month or so. Indeed he cited the fact that this client offered to buy out the firm when she guessed it was about to fold as evidence that there was scope for a cmt firm in this sector of the market. This point was endorsed by others; the Office Manager claimed to recall one incident of a customer ringing up about his order and being told by the Production Manager it was ready, when it was not; and the machinist claimed to recall the Production Manager telling a customer that they could do 50 garments of a particularly complex type per week - whereas she estimated they could only do about a third of that number. (Evidence of orders lost or ruined through bad workmanship was given in 2.1.1.)



### 2.3.2 Pricing

It was alleged that the orders Neighbourhood Textiles had were underpriced and did not cover costs. The Management Consultant on the steering committee claimed that the Production Manager was using totally inappropriate methods - viz a type of handbook giving standard times to make certain garments, used by a large firm in mass production - rather than timing their own machinists on the garments in question and making an allowance for overheads. The Office Manager also felt that the Production Manager was underpricing. She timed one potential order which the Production Manager had priced at £9 per garment, and after making allowance for overheads estimated it at £16 to £19 per garment. She never had any information on the costing of garments until the Production Manager left for holidays (and then sick leave) in July. When asked how it was done, he replied "....just comes with experience - you look at the seams, etc."

Of course, given that their costs were too high to be competitive they would probably not have received enough orders if they had used a pricing system that reflected their actual costs. So in this sense a measure of 'under-pricing' was inevitable. But were the prices lower than they need have been, in relation to the market? One cannot be at all sure but it is interesting to note that Neighbourhood Textiles contracted out one order to a smaller firm - with profit both to that firm and to themselves. So that particular order can hardly have been underpriced in relation to the market.

In conclusion, it is very likely that the marketing effort in Neighbourhood Textiles was seriously inadequate in a number of respects. However, the most damaging of these weaknesses - reliability and under-pricing - really reflect the gross failures in production management that have already been detailed. The other marketing weaknesses cannot have helped, and might have been important in other circumstances;

## CHAPTER 3

### THE FLOW OF INFORMATION AND THE FAILURE OF MONITORING

The management of the co-operative was accountable both to the members and to the steering committee, and in each case meetings were held regularly. So why was remedial action not taken? This chapter recounts the failure to provide clear and basic information on Neighbourhood Textile's production and finances, or to focus attention on the factors discussed in chapter 2. I also attempt to show how attention was focused on issues which were of marginal relevance to the economic performance of Neighbourhood Textiles - in particular:

- the financial effects of the creche and child-minding arrangements; this is mentioned intermittently throughout the chapter but separate sections are devoted to two other issues, namely:
- the arrangements for the management of the site as a whole (including the workshops which were financially independent of Neighbourhood Textiles co-operative);
- the contract being negotiated for bullet-proof vests.

Before proceeding it is worth drawing attention to a methodological problem: in trying to assess the information that actually reached people and therefore effected their behaviour, I have to rely largely on the recorded accounts of the more formal meetings - Co-op, steering committee and Co-operative Management Committee. Except for the recollections of the interviewees (up to a year after the events) I have no way of assessing the information that was transmitted informally about the workplace.

#### 3.1 The Pattern of Meetings

Table 2 lists the principal formal, meetings of, or concerning, Neighbourhood Textiles. In addition, informal 'production meetings' were held in the Co-operative on Fridays - but no minutes were recorded; and, in accordance with ICOM Model Rules, a Co-operative Management Committee was formed - but not until about May, and in the event it met very rarely, perhaps because the impending crisis meant that the sorts of matters it might have discussed would have needed to go to full meetings of the Co-operative, anyway.

The co-op meetings were well attended, with the exception of the April meeting which took place outside working hours. However, both the Secretary to the steering committee and the machinist referred to their unease about the way the meetings were run. The Office Manager, although suggesting they were 'no better, no worse than most meetings' did think that some of those who took turns as chairperson - the post rotated - were not competent (e.g. at stopping chatter, at bringing people into discussion or at stopping people rambling on). My own recollections are of meetings that were frequently unsatisfactory. For example, my notes of the meeting on July 18 record that:

- minutes of previous meetings presented at the start of the meeting (rather than in advance of meeting);
- chairperson elected at start of meeting (rather than at the end of previous meeting, thereby giving her time to prepare)
- start delayed for half an hour - for little apparent reason (quite possibly no one felt responsible for getting things moving).

Table 2

Attendance at Meetings <sup>a</sup>

		Co-op Management <sup>b</sup>	Co-op Workers <sup>e</sup>	Steering Committee
7 January	Steering Committee	2 <sup>c</sup>	2	10
18 January	Co-op	No information		
4 February	Steering Committee	3 <sup>c</sup>	7	7
25 February	Co-op <sup>d</sup>	4	15	9
10 March	Steering Committee	3	0	11
16 April	Co-op	4	1	8
23 April	Steering Committee	2	0	8
9 May	Co-op	4	17	6
21 May	Steering Committee	No information		
23 May	Co-op	4	19	3
9 June	Co-op A.G.M.	4	10	8
18 June	Steering Committee	3	0	8
18 July	Co-op	3	17	4
15 August	Co-op	3	13	4

Notes:

- a. All co-op workers were entitled to attend steering committee meetings
- b. Production Manager, Office Manager, Supervisor, Treasurer/Book-keeper
- c. Office Manager, Treasurer/Book-keeper, not yet in post
- d. The figures given for this meeting are estimates.
- e. Maximum possible attendance would have ranged from about 10 at the start to about 22 at the end.
- f. Maximum attendance was 11 (including two non voting members whose role was to service the SC).

It is worth mentioning in this context that the 'training in co-operative decision-making' which had been planned by the steering group did not continue after the first, 'induction', week. One member of the steering committee, in particular, put considerable effort into this but apart from another showing of the film on meetings, nothing happened. The management of the co-operative were unwilling to take this further (see 4.1.2).

As regards the documents for the meetings, these were not without merit: minutes and reports were clearly written in simple language with sub-headings and short paragraphs, that should have been easily understood. But, and clearly this is an enormous reservation, the amount of basic financial information presented was extremely limited - and frequently inaccurate. Table 3 lists the total of the financial data presented to the Co-operative's Meetings - along with the correct figures that should have been presented.

Table 3

Figures Given to Co-op Meetings

	PRESENTED		OFFICIAL RECORD	
	<u>Actual Deficit</u>	<u>Budgeted Deficit</u>	<u>Actual Deficit</u>	<u>Budgeted Deficit</u>
25 February	8,317	13,147	Unknown	
16 April	29,079	33,040	35,037	21,521
9 May	44,537	37,150	44,577	27,031
9 June (AGM)	52,387	40,489	52,543	30,370
18 July	"Very poor-paying ourselves more than we earned"		60,509	31,027

Even allowing for some variation as to the particular dates up to which the figures were cumulated, this cursory glance demonstrates that the figures presented consistently gave an impression that the enterprise was performing much nearer to target than it was. But even this comparison understates the extent of the failure. The most striking discrepancy in the figures on Table 1 (in chapter 1) was that between actual sales and budgeted sales: Actual sales never even reached 40% of target - save for the first 3 weeks in August. For some months they were only in the 10% to 20% range. There is no record of attention being drawn to these figures: figures which would surely have turned the spotlight on the problems in supervision and management.

But even if the extent of the financial difficulties was not set out formally, in writing, perhaps members of the co-operative had become aware, informally, of the scale of the problems. If the recollections of those interviewed are typical, this is unlikely. The Supervisor claims she was never told that production was only 10 to 40% of target - just 'you have got to work harder'. However, she recalled once querying the £5 per hour productivity estimate (apparently, the Production Manager's response was to appeal to his expertise at costing to defend it) so presumably she was aware that there were problems. Towards the end - about late July - she remembered some financial information going on the noticeboard. But people did not understand it according to her, - 'just a load of figures' - except the cutter, who claimed that one figure was about £4,000 out. The Supervisor felt that only in the last 4 or 5 weeks did they get information they understood - on how many garments they needed to produce, how many garments actually produced, etc. - and then it came from the Office Manager.

The machinist reported that she had not understood the figures provided by the Treasurer/Book-keeper but she had not thought there was a problem provided the orders kept coming in - until July when the Production Manager told them they were applying to the Council for another grant. (In the end she said she would have been prepared to cut her own wages to help the factory survive.) The Office Manager had apparently been aware from early on that the factory was below target - but she attributed this to starting in the wrong season, and later, to poor production. But apparently by July she thought it was 'not redeemable'.

The Office Manager also claims to know of another incident which, if it has not grown too much in the telling, may throw some light on what was happening: early in the summer the Treasurer/Book-keeper prepared detailed figures for a financial report to the Council but the Production Manager took them away to adjust them to give a more favourable impression, saying to the Treasurer/Book-keeper that they could not give those to the Council. There is no way of telling, at this distance, whether any such 'adjustments' amounted to falsifications or were within the bounds of what, in the City, is known as 'creative accounting'. In any event the implication of such an incident if it occurred is that the Production Manager was trying actively (and in a sense understandably) to manage the impressions others held of the state of the business - and, in particular, to obscure the extent of the financial difficulties. If such a conclusion is sound, then it might also help to account for the steering committee and members of the co-operative not realising what was happening. With this possibility in mind, I turn to the chronological record of meetings and the reports and issues they considered.

### 3.2 Chronological Account of the Information Presented at Meetings

This section is made up of extracts from the minutes of the various meetings, along with explanations and comments on the information. The aim is to detail how it came about that so many well-attended meetings, comprised of people with a great deal at stake and no particular grounds for trusting the management of the co-operative, still failed, so conspicuously, to raise crucial issues, in an effective way, for so long.

#### 3.2.1 The Hopeful Months

Steering Committee. February 4: "....Firm A bags order successful.... Firm X - an order from this co-operative for electronically-wired sheets, a potentially large order from DHSS.... Firm B bags - good order for training and fill in.... Firm Y - good order for dresses.... There is enough production for over ten machinists for four months. In the next few weeks there is the possibility of overtime and flexitime working". The impression given is clearly: "no problems". Some of these orders did actually materialise. Firm X, however, was in no position to give orders to anyone. At that time they were an MSC enterprise workshop which had run out of its money, awaiting a decision by the Council to bail them out. Perhaps another example of the inability of the Production Manager to distinguish between a firm and a speculative order (see 3.1). This should have been picked up by the Council representatives including myself: we

should have known that this 'order' was no more than wishful thinking as we were dealing with Firm X at that time. (But we could not have said anything about Firm X because of the confidential nature of the relationship between the Council and the firm.) Reference was made to three other potential orders, and the only indication of any problem was: Firm Z - initial samples not approved therefore no orders at present".

It was also reported that the "quality control systems almost set up" and (by Treasurer/Book-keeper) that "the accounting system is functioning and installed in the factory. It is not producing information as fast as necessary but it should be soon."

Meeting of the Co-operative, February 25: It was requested that financial information be presented in a graphical or visual form. The budgeted vs actual deficit (Table 3) was the only financial information given, and "it was agreed that detailed figures would be circulated to members as soon as possible". A draft job description for the Treasurer/Book-keeper "was approved with the addition of a new paragraph 'preparing and maintaining appropriate financial information for the co-operative meetings'." This was added a month after the Treasurer/Book-keeper was in post. He was not chosen for his ability to communicate financial information, and although an excellent accountant, would probably not have been selected if that criterion was used. The opinion of all the workers I spoke to was that they could not understand him. According to Secretary to the steering committee he may have regarded himself as 'custodian of figures'. It was also reported that they "had secured orders with one supplier which guarantees production for the immediate future" and there were two other potential long term orders.

Steering Committee, March 10: The Production Manager "reported on increased orders and the forecast of production over the next few months." But there is no record of any detail, of discussion, of questions asked. The meeting concentrated on capital spending (on building and workshops), on the creche, on site management and other matters - apparently the steering committee was prepared to leave questions of commercial management to the co-op.

Meeting of the Co-operative, April 16: Only one non-managerial worker was present. "We have overspent on child-minding fees to double the projected amount-... at the next meeting, members of the co-op to be reminded that when the nursery opens they will have to pay approximately towards it the amount they now receive for child-minders. They are to be asked if they are prepared to begin making a contribution towards the fees in order to relieve the co-op of part of this financial burden." The creche and child-minding issue was important from a number of aspects - e.g. it was an important point of principle for many of those involved, it created tensions between mothers and non-mothers - but it was not a major factor affecting the financial situation (see 2.2.3). Nevertheless it was included as a major item under 'financial report' - where it provided an emotive red herring distracting from economically more significant issues.

Even more serious, however, may have been the next passage of the report: "Our running costs are still lower than budget costs and sales are very much lower than budget sales. However, on balance our deficit is £29,079 compared to budget deficit of £33,040 that means we are £3,961 better off". In fact (see 3.1) actual deficit was nearly £14,000 worse than budgeted deficit. The report was grossly misleading and, again, conveyed the impression of 'no problem'. The only indications of difficulty came further down the report: "...production bonus could be achieved if productivity rises to a more realistic level" and under 'production report'; "some time has been lost on bags for Firm A and coats for Firm C due to poor quality" - again at the end of the report.

A decision whether to raise machinists wages was deferred (as no machinists present). It was decided to introduce a docket system to "keep up to date on production figures and to encourage people to maintain high standards" - again a phrasing which underplays the real difficulties in production: "keep up to date" and 'maintain high standards....' can be taken as to imply a fairly satisfactory situation. The report also referred to an order totalling 1800 garments in hand, and samples being made for another order for 1500 skirts.

Steering Committee, April 23: My notes of this meeting record a report from the co-op management of a serious clash of opinion among workers over creche financing: the workers with children, they reported, were saying that creche charges were higher than local child-minders' charges; while those without children asked why their bonuses (my emphasis) should be lost to subsidise those with children. This implies a belief that the firm was basically profitable, that it would be paying bonuses but for the child-minding costs. There is no evidence that the co-op management tried to rectify this false impression, and, indeed they were quite prepared to let attention be focussed on this problem.

### 3.2.2 The Problems Emerge

Meeting of the Co-operative May 9: My notes refer to the Production Manager explaining that each machinist was producing two dresses a day on average, whereas 1½ dresses per hour was required to meet the target. This is the first admission by management of the extent of the problem that I am aware of. However, the impact and complications may have been lost in the heated discussion (as to whose fault it all was - see 2.1.8) which followed. Under 'Financial and Production Reports', the minutes report the discussion of a number of issues:

(i) "several machinists pointed out that some people are not working conscientiously as they might"; and the minutes refer to time being lost due to "poor workmanship"; to the desirability of an individual bonus scheme; to a mechanism for 'hire and fire' at short notice; and to the Office Manager's role and whether she was doing her job properly;

(ii) a query as to whether they could consider laying off staff; and deferring wage increases to the Supervisor and machinists because of the financial situation:

(iii) "It was asked again that more information be put up for production staff to see"

(iv) a discussion on 'ways of improving productivity and of reducing costs'.

So it seems that discussion is at last taking place about fundamental issues - but is hampered by

- inadequate and inaccurate information
- heated, defensive, 'fixed position' discussion
- perspectives on the problems impoverished by the emphasis on individual, rather organisational/managerial failings (especially individual effort).
- false optimism (promises re the bullet proof vest order were again held out at the meeting).

Steering Committee, May 21: "The Production Manager said the factory would now have to work overtime to complete present orders, and there was a full order book until the end of July". This sounds excellent - but actually describes a dire situation arising from low productivity (rather than high productivity attracting many orders).

Meeting of the Co-operative, May 21: Corrections to the minutes of the previous meeting are recorded: the production loss to May 2 was revised downwards(!) to £10,491 (from £13,355, which was an understatement to begin with); and the estimated start time on bullet proof vests was amended to two months, from two weeks. The first main item was the nursery report: "Minimum cost to the co-operative for the remainder of this financial year will be in the region of £6,221.14." No financial or production report is minuted, but reference is made to an order for "22,000 garments being gained from the promotional opening". The Office Manager, when interviewed a year later, said this order was from a customer they had already done business with. It was based on so many garments per month for so many months. But it was later withdrawn because a previous order was not satisfactory (so the customer said to the Office Manager personally).

Annual General Meeting of the Co-operative, June 9: Under 'Financial Report' "The actual deficit on running expenditure was £52,387 compared to the budgeted deficit of £40,489 which means £11,898 worse off. This was largely due to about two months delay in starting up production, missing the seasonal peak in the rag trade." In fact the budgeted deficit should have been £30,370 - not £40,489 - which meant they were £22,000 worse off than planned (not £11,898 as reported). And the superficially plausible explanation given for the shortfall is clearly a gross exaggeration because the problems were mainly on the production side, rather than sales. Apart from reporting 'A quality control system will begin next week' (the steering committee was told in



February that one had been set up), the minutes of the Production Report are notable mainly for the optimistic order situation presented: £21,000 of confirmed cut, make and trim work, plus £11,000 'pending', plus the likely Ministry of Defence contract, (i.e. bullet proof vests worth £14,000) plus an enquiry for a 'highly lucrative' order for 'direct manufacture for export', arising from the visit to Paris - indeed the report and the discussion end with talk of accommodating 50 machinists on the top floor of the building! In fact, total sales for June, July and August were only about £14,000, in the event, a lot of which was negotiated later - so even the 'confirmed' figure was seriously over-optimistic, let alone the others.

With hindsight, the unreality of these figures may be obvious but the success of the co-op management in disguising the situation is indicated by a report of this meeting made by the Council officer representative, to various senior officers of the Council. His note records the over-optimistic way people were talking about orders and production - e.g. "productivity still lagged and they had not yet reached the figure of £5 per machinist hour on which the December projection was based." (my emphasis). This statement implies a belief that Neighbourhood Textiles was not too far short of its target - in fact, the co-operative was achieving only 20%-30% of target.

At this stage the Co-op was asking the Council to guarantee a bank overdraft which they estimated necessary to cover their peak deficit. The Co-op had supplied the Council with some financial information and projections. The reply from the Council Corporate Planning Officer (12.6.80) contains the following:

"We are concerned from the limited information we have seen that your financial position may deteriorate for some time after July before it gets better and we need to be able to advise Members on the likely extent of their financial commitment. We wish to see a cash forecast for each month to.... March 1981 rather than simply to the end of July this year. Also a more detailed breakdown.... (as) we cannot understand how the overheads figure is made up or how the sales forecast relates to the number of machinists and their productivity...." (my emphasis)

Either this necessary financial information was not being computed - or someone was not revealing it. This type of information had been asked for on previous occasions - but the Co-op management had not provided it. This time, however, co-op management had to provide the information if they wanted the Council's financial guarantee. But probably it came too late for anyone to take remedial action.

Co-operative Management Committee, July 1: This committee, set up in accordance with the co-op's constitution (ICOM Model Rules), produced a report (written by its chairperson, a steering committee member, not a worker) containing the following:

"It was recognised by the financial position of the factory that production must be kept as high as possible - otherwise everyone's jobs may be in jeopardy" (my emphasis). Again the phrasing 'kept as high' implies a belief that the situation was not far off target. The findings of an exercise in monitoring the progress of an order through the factory included:

confusion as to who took responsibility for the sample and at what point orders were confirmed;  
insufficient information being given as to deadline dates for orders;  
individual machinists targets not specified;  
poor quality work being done.

So the impression being conveyed is that there are serious problems with production - but no indication that people realised how serious these problems are. But the meeting agreed to give more authority to the Production Manager (as he had requested) - over:

- a. hiring and firing
- b. rates of pay
- c. production methods
- d. deciding who should deputise for him.

Steering Committee, June 18: It was reported that the Production Manager, Office Manager and the Treasurer/Book-keeper "drew attention to the serious matter of poor productivity.... It was suggested that there might be a conflict between the style of co-operative management and the duties set down as those of the Production Manager in his contract, and that this conflict is relative to the poor productivity position". So poor productivity is now more openly admitted, but not quantified, and it is explained in terms of difficulties caused by the co-operative management structure. In fact, this argument was put forward at various meetings, both internal and external to the co-operative and the fact that the Co-operative Management Committee gave the Production Manager more authority indicated that this explanation was accepted by many. It is examined in the next chapter.

### 3.2.3 The Collapse

Steering Committee, July 16: A letter was read out from the Corporate Planning Officer stating the Council's concern over the financial position. It noted that output for each of the two previous months had come nowhere near the output forecast for those two months, in advance, by the Co-op: and implied that the Council no longer regarded the Co-op management as very credible: Nevertheless, the Council had agreed to give a small additional subsidy to tide the Co-op over till the end of August.

The outcome of the Co-operative Management Committee meeting of July 1 was also reported. It looked "very closely at the stark reality of the financial position and the way it related to production". This may be deceptive in that, although the Co-operative Management Committee discussed financial and production problems, there is no sign that clear information on 'the stark reality' of the financial position was presented there. But at any rate by now steering committee members - but not necessarily co-op workers - have a clear indication of the gravity of the situation.

Meeting of the Co-operative, July 18: "Targets have been set at 6 dresses minimum on present order.... should be aiming at 40 per week each.... so far, we are keeping up with targets agreed with the Council" (my emphasis). This last, apparently untrue but reassuring statement must have served to divert attention from the indications of serious problems which followed:

"Our financial situation is very poor when compared to budget.... we need £5,000 just to get through August and they (the Council) agreed to give that amount if the new figures the Treasurer/Book-keeper and Production Manager have produced prove to be more accurate.... At the end of August the Council will decide whether to give us further help (which we need up to June 1981)".

The Council backing was said to be dependent on keeping up production, not opening the nursery at present, and "....that figures be provided each week for the workforce showing our financial situation." On this last point, both the cutter and the Secretary to the steering committee offered help in devising ways of showing figures that the workers would understand. But the Treasurer/Book-keeper "explained that he cannot take on this work without an assistant" (my emphasis) and the Office Manager, while willing to help, "was not prepared to do anything to increase the Treasurer/Book-keeper's workload since he already works many extra hours." Again, this reflects the lack of priority given (by the Treasurer/Book-keeper and Office Manager at any rate) to keeping members informed; also, possibly a lack of skill at communicating financial information simply - and/or a degree of defensiveness, perhaps feeling they were being scapegoated.

The report also referred (in a rather confused manner) to a discussion on the holiday pay conflict, the background to which is as follows:

Originally workers could take all their holidays with full pay before they had worked a full year; in July the Treasurer/Book-keeper (according to the Office Manager) was very concerned to save money, and with the Office Manager's agreement, they put up a notice to the effect that holiday pay would only be paid pro rata for the proportion of the year a person had worked i.e. people who had only worked, say, 3 months could only take a quarter of their holiday with pay. They then simply informed the workers individually, as they were about to go on holiday, of this decision (as well as displaying the notice). Some workers, not surprisingly, objected rather forcefully. The matter was discussed fairly heatedly as the Office Manager and Treasurer/Book-keeper had already conceded that workers who had

booked holidays would be paid up to two weeks holidays. "The Office Manager apologised that information on holiday pay was not passed on by calling a special meeting rather than by displaying a notice." This implies a belief that she had the right to decide this change, rather than just to recommend it. In any case, workers suddenly found themselves being docked most of their expected holiday pay without consultation - while they were still receiving some reassuring reports about the financial situation.

Meeting of the Co-operative, August 15: The production report referred to problems with orders in the immediate future - one potential large order had been cancelled. However: "Firm B order progressing well and on time" - an attempt perhaps to keep up an illusion of productive efficiency? But under financial report: "Council are very disappointed with our figures but are prepared to give us £10,000 for next month only pending a report from management consultants. Our situation is very serious.... the management consultant may suggest that we close...." (The Council had again found that the July output figures were way below the Co-ops own forecast, made only a month before.) The report went on to refer to a number of evening meetings planned to try to find a solution to the problems.

This was the last, minuted, meeting of the Co-operative. In September a Council representative came to a meeting at the factory to say that they would not give Neighbourhood Textiles any more money - and therefore that closure was inevitable. Indeed, it followed almost immediately.

### 3.3 Distractions

The inordinate time and energy devoted to the emotive issue of the creche has already been indicated. In this section two other issues are summarised, both of which featured prominently in a number of meetings. One cannot say that, had they not arisen, the meetings would have immediately focussed on the fundamental problems of production; but it seems undeniable that these issues made it more difficult to do so. It may be significant that both were particular concerns of the Production Manager.

- 3.3.1 The February meeting of the steering committee asked two of the members to work out options for a site management committee that would resolve problems between the factory (including the canteen and the creche) and the financially independent, small, craft workshops, and undertake any other work associated with running the shared site. The options for site management, prepared in discussion with all the interested parties and put to the steering committee on 23 April, were essentially:

(i) a site management committee with representatives from the co-operative and the workshops in equal numbers, an independent chairman, and the Co-op acting as the agents of this committee to implement its management decisions; or

(ii) the workshops becoming "tenants of the Co-op with the Co-op bearing expenses and assuming responsibility"

At this meeting the Production Manager produced a petition written by himself and signed by a number of co-op workers arguing for the second option (i.e. Co-op become landlord of the workshops). His main argument was that he had too many meetings already, and the first option would have meant more meetings. The steering committee however decided in favour of the first option, arguing that this reflected the original aims of the project (in fact, it confirmed a policy decided with the Production Manager's support in July 1979). They agreed that meetings should only be held quarterly, and that site administration cost would be met from service charges paid by the workshops. It was also reported verbally that some of the workshop tenants had very much objected to the second option. But the co-operative had still to agree and its next meeting (9.5.80) postponed a decision as "some people said they still did not understand all the issues involved". At the steering committee two weeks later the Production Manager "now thought that the Co-op understood better what was envisaged, and would agree to the plan as proposed to them". But the next steering committee meeting was told that the arrangements had still to be agreed by the Co-op. Meanwhile no arrangement for collecting rent from the workshops had been agreed. Eventually, the Co-op did agree to the recommended structure.

Apparently for the Production Manager, this issue was part of an on-going power battle with the steering committee and he devoted time and energy to it.

### 3.3.2 The Bullet Proof Vest Order

This was first mentioned at the steering committee meeting on February 4.... "if accepted, special machinery and cutting equipment will be supplied by Arms Service". My own recollection is that the Production Manager claimed that he himself had special expertise in the textile technology required. The Management Consultant on the steering committee, when interviewed, recollected the Production Manager claiming a substantial and profitable potential order: that they could fill the factory for a considerable period, that the mark-up would be 100% (£6 sale price, £3 to produce). But he also emphasised that the Production Manager was dealing with a very small contractor to the Ministry of Defence - contrary to the impression given by phrases like 'arms service' in minutes, (taken by many as meaning that he was dealing with someone in the Ministry of Defence in a position to commission an order).

Minutes for May 9 meeting of the Co-operative record:  
"ballistic tests.... take place next Tuesday and we hope to know our position regarding orders by the end of that week. The Production Manager estimates that manufacture can begin in two weeks time" (amended, co-op minutes 23.5 to 'two months time'). And a month later at the Annual General Meeting: "Bullet proof vests test now completed. We should know the expected rate of manufacture next week." The contract it seemed, was sealed.

However, it had not emerged by July, and in a letter to the Co-op (10.7.80) the Council Corporate Planning Officer was asking:

"I would appreciate some enlightenment on the position.... I understand you hope to enter into a contract which gives you a generous margin of profit. If this is so, I cannot understand why (a) you are not being undercut by other manufacturers, or (b) you have not secured the contract by submitting a revised quotation at a more competitive level."

At the meeting with Council chairmen and officers on July 15, the Production Manager was pressed on this point. He pointed to the difficulty of getting a firm commitment from "Arms Service" and I recall, in the discussion, that the Planning Committee Chairman (himself a salesman) acknowledged the difficulty of getting the Ministry of Defence to commit themselves to an order in writing. The Production Manager did nothing to dispel the impression that he was negotiating directly with the Ministry of Defence but promised to get something in writing in the next few weeks. He estimated at this stage that the contract would start in November, and that it should raise productivity to £7 per machinist hour in the factory as a whole (as against £2.70 reached in July and £5 breakeven target). The July and August co-op meetings contained no reference to this order (the Production Manager was not present at either meeting) and the Council Officers' report to their Committee Chairman on August 11 concludes that the bullet proof vests contract "is no more committed than it was ....on 15 July". Nevertheless, when the Council Officers came to the factory in September, to say that they would not support it further, the Production Manager responded by saying that the contract was about to be signed - if only the Council could give them a little more time. He tried to organise a 'rescue' attempt based on this order. In fact, according to a Council Officer who later chanced to meet a person from the firm concerned, they were a long way from signing a contract with Neighbourhood Textiles.

This chapter started by posing the question: why was remedial action not taken on the production and other problems that were the direct cause of failure? The answer should now be clear - neither the members nor the steering committee appreciated the seriousness of the problems because basic and essential information was not provided, or not provided accurately; they did not insist on having that information; and in meetings the management of the co-operative consistently put a positive gloss on the state of the business, allowing, perhaps even encouraging, the discussion of peripheral and emotive issues.

At least 3 members of the Steering Committee - the Management Consultant, Council Officer and one other - tried to insist on detailed figures. But they came up against the problem of the role of the Steering Committee: it was not clear whether it had the power to demand information. Without such clarification, the Production Manager was going to reveal as little as possible, keeping to the businessman's norm of always telling 'outsiders' that things are going well.

## CHAPTER 4

### EXPLANATIONS OF FAILURE

The events described in the previous chapters are open to several different interpretations; in this chapter I consider two ways in which the dismal outcome can be accounted for. There are others, of course, such as 'adverse market conditions' and 'poor management'. The former is simply inadequate, notwithstanding the serious recession in the trade and the delays in opening which meant missing the seasonal peak. The scale of the losses that were accumulating cannot be attributed simply to this factor since other firms did stay in business. One can claim that market conditions - or undercapitalisation, or any other economic factor (2) - contributed to the failure but this sort of explanation can never be adequate on its own. As for 'poor management', this is not so much wrong, as rather empty: any business failure can be interpreted as a management failure, and, especially in the organisational context of a co-operative one wants to know how it came about. Even if one saw many of the problems as due to the limitations of the Production Manager, this would still not be the whole story; and the issue of whether the co-operative structure helped or hindered that situation would still be a real one. In fact, some of those involved blamed the co-operative framework for a number of the difficulties; while for proponents of co-operatives the failure demanded an explanation of why it did not work. So these two viewpoints are the ones considered. The first points to the co-operative framework of the business as disposing the enterprise to failure - either because managements' motivation was sapped, or because its authority was undermined, or because it failed to cope with the sorts of problems and stresses that a co-operative generates. The second explanation suggests that the co-operative failed, not because of co-operation, but for want of co-operation. In their different ways both explanations suggest difficulties associated with the 'top-down' approach to setting up a co-operative.

#### 4.1 The Co-operative Structure as a Liability

##### 4.1.1 Motivations for Managers

Many small firms are probably not much more efficient, operationally, than Neighbourhood Textiles was in its better phases. But the owner/manager will want to maximise the trading surplus, and consequently will hold down wages and think very carefully before adding extra indirect costs. He or she would probably work very long hours, to compensate for his inefficiency, as well as trimming overheads. The Consultants Report suggested that a conventional small firm of the same size as Neighbourhood Textiles would have only 2 or 3 managerial or supervisory staff (as against 5 in Neighbourhood Textiles). In addition, such an owner/manager would have his or her own capital at risk in the business - a definite incentive to the difficult decisions when a business is in jeopardy. In contrast, management incomes in Neighbourhood Textiles were basically fixed. So, unless they saw the enterprise was in danger, but not yet doomed, they would have a certain interest in reducing their workloads and increasing

their salaries. Arguably, this is precisely what the Production Manager achieved at Neighbourhood Textiles. To be sure, human motivation is generally more complex than simple, fairly short term, economic self-interest. Nevertheless, setting up any small business is likely to be pretty exacting, and it seems reasonable to suggest that there could often be circumstances in which these economic factors might provide a definite edge to a manager's motivation. To what extent the different structure of incentives in this particular case explains some of the management failures, one cannot say, but clearly it is a possible contributing factor.

#### 4.1.2 The Undermining of Managerial Authority

A rather more substantial connection between poor management and the co-operative structure is suggested in the claim that the participative nature of co-operative decision-making undermined the authority of management. The Production Manager, in particular put forward this argument, to the steering committee, the Co-operative Management Committee and to Council Officers, claiming he lacked the necessary authority. Assessing this explanation requires a review of the relevant incidents and conflicts in which managements authority was challenged, as far as they are known.

Not surprisingly, the record is clearer concerning relations with the steering committee, than with the workforce, and the following is probably a complete list:

(i) the management's unwillingness to continue with training in co-operative decision-making has already been mentioned (section 3.1). The steering committee member concerned persisted in her efforts despite the lack of co-operation and in order (in her words) 'to force the Production Manager's hand' she brought a paper to the May meeting of the co-operative. It was discussed and accepted, but implementation was overtaken by the worsening financial situation.

(ii) When the bullet proof vest order was first mentioned at the steering committee in February, reservations about such an order were expressed by some members of the steering committee - not by any of the workers present. A rather confused discussion took place, with the Production Manager asserting that he had to assess what orders to take and that the Co-op could not afford to be choosy, and steering committee members asserting the need to consider social and moral questions and also to involve the co-op as a whole in such decision. The next meeting of the co-operative discussed the question again, at length - I overheard comments from workers such as 'this is going on all night' and 'there she (a particular steering committee member) goes again' and in the end the Production Manager got permission to pursue the order. Clearly, the steering committee did not handle this issue well and by bringing it up in the way they did, appeared impractical and self-righteous.



(iii) The site management issue which has already been discussed (section 3.3.1).

(iv) In addition to these overt clashes the management apparently believed that members of the steering committee undermined their authority in other ways. This was clearly the Office Manager's view, when interviewed, though she could only recall two specific incidents - first the secretary to the steering committee influencing members, against management's advice, on arrangements for the site opening party (so that among other things guests including potential customers were expected to pay); second, she claimed to have overheard another steering committee member advising workers to be on their guard - that if they did not have more people on a particular committee, management would outvote them.

It is clear from these points that relations between the steering committee and the management were strained, and that the formal relationship between the two was never very clear. Although the steering committee's policy was to phase itself out it never gave itself a definite transition period, and even after deciding in April that its role was simply to monitor the spending of the Urban Programme money it still found itself intervening on a social question - training - in May. Nevertheless, it does not follow that 'a lack of authority' explains the poor management and business failure. In the first place item (i) can just as well be seen as the management undermining a legitimate and longstanding policy of the steering committee (to which the Production Manager had been party) and item (iii) was an attempt to extend the authority of the management beyond that required to run the business so cannot be seen as an encroachment on their authority. But more significantly, steering committee members did not interfere at all in the areas of production and financial management that were identified as direct and major causes of failure in chapter 2. Not just on a day-to-day basis, but from one month to the next the management was simply left to get on with it in line with their job descriptions which were unambiguous. Hence, as regards management's authority being undermined by the steering committee, it appears that relations were strained, and roles unclear; that the presence and contributions of steering committee members as independent, influential people at meetings were resented on occasions; but that such problems, though real, can hardly be seen as a significant erosion of management's authority in actually running the factory.

So much for the steering committee - but what of the members? Did workers refuse to accept the authority of management? It is possible that the instance about which the Production Manager complained at the steering committee in June - the workers decided not to do an order themselves but to pass it out to home workers, against his advice - is a case in point; but it is not clear at what type of meeting this occurred and how it came to be seen as a matter for the workforce to determine. Otherwise, the Production Manager's feeling of lacking authority seems to have arisen from the sorts of problems referred to in the earlier discussion of discipline (section 2.1.5).

The Management Consultant on the steering committee, recalled the Production Manager complaining to him that people would not do what he told them, specifically referring to an incident of a worker coming into the office, shouting at him and refusing to leave when he told her to. On two occasions, he claimed, the Production Manager approached him for support in gaining more control for management.

He also recalled the Production Manager asking at the July Co-operative Management Committee for a clocking-in card system. (Apparently this was not adopted initially at the Production Manager's own insistence.) If these sorts of problems are to be seen as demonstrating the erosion of authority by the co-operative structure considerable emphasis must be given to the fact that dismissal could only occur with the approval of members. Even so, the explanation is not entirely convincing since the Production Manager appears not to have used even what disciplinary powers were open to him, quite apart from the fact that some of the disputes may well have been legitimate grievances of the workforce, arising from inadequacies in production management.

Two points seem to stand out from this discussion:

(i) formally, the Production Manager's authority was very extensive and there is no record of meetings of the co-operative interfering with or over-turning his decisions; in this sense, blaming the co-operative structure for a 'lack of authority' would be quite mistaken.

(ii) nevertheless, the Production Manager clearly had some difficulties in exercising the authority of his position.

Such difficulties could have arisen in a number of ways, some of which might well be associated with the fact that the firm was a co-operative. The Production Manager may simply have felt unsure of his position; or he may have wished to avoid conflicts out of an inappropriate deference to co-operative ideals. But quite possibly just because it was a co-operative (however imperfect), the workforce did feel entitled to question and comment on decisions, especially when they felt unhappy about events and management competence - which they did right from the beginning, according to the machinist. Such questioning would be a positive advantage for a firm if the management were able to accept such criticism. But it is quite clear that in this case they were not. They believed most of the criticism from the workers - whether delivered overtly or covertly - to be unwarranted and according to the Office Manager, largely instigated by members of the steering committee.

So the situation may have been as depicted in figure 1: management failings would have led to problems anyway; the co-operative structure produced a greater willingness to criticise the apparent failings of management; but since the managers could not cope with this, the resulting ill-feeling and demoralisation simply aggravated the other problems.

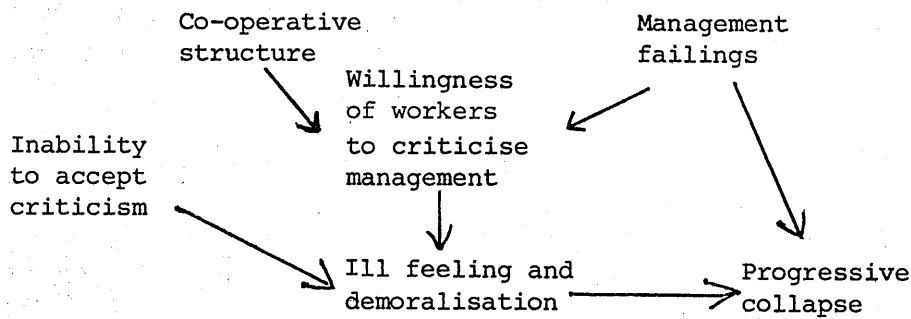


Figure 1

In this sense one can argue that the co-operative structure contributed to the failure.

Indeed, the events at Neighbourhood Textiles seem to exemplify the saying that 'Co-operative organisation makes a good manager's life easier and a bad manager's life more difficult'.<sup>(3)</sup> But if this is the case, it is a point that is still open to different interpretations: one could point to the inability to take criticism as the real cause of the failure, and consider that the co-operative structure (and idea) is not implicated in any significant way. Alternatively, one could say that to succeed, a co-operative requires a standard of management that it may be very difficult to attract - and therefore a co-operative structure will often aggravate management problems and accelerate failure.

The implications of this discussion seem to be that an interpretation of the events at Neighbourhood Textiles in terms of management being 'undermined' by the co-operative structure is a one-sided and somewhat misleading way of describing the fact that a co-operative structure presents management with additional problems and opportunities. The additional problems are the subject of the next section.

#### 4.1.3 The Co-operative Structure as a Source of Problems

In this version of the argument a co-operative structure is liable to generate a considerable degree of conflict and confusion; this happened at Neighbourhood Textiles and those involved were not able to cope with it constructively. The explanation hinges on three points <sup>(4)</sup>:

- (i) a co-operative, by extending worker participation to a much greater range of decisions, provides more opportunities for disagreement;
- (ii) a co-operative, characteristically, espouses social as well as economic objectives, and the more it does so, the more scope there is for disagreement over priorities;

(iii) the co-existence of managerial and democratic decision-making systems means there can easily be confusion over who is responsible for particular decisions.

This raises a number of questions about Neighbourhood Textiles:

- (i) Was there participation which led to conflict?
- (ii) Had it, or its participants other than purely commercial objectives?
- (iii) Was there confusion over who was responsible for what decision?
- (iv) If there was conflict and confusion, were people able to cope constructively with it?

These questions can be answered as follows:

- (i) The answer is probably 'yes': people were invited to participate and yet did not feel they got very far, or that meetings just led to bad feeling (see 2.1.8 and 3.1).
- (ii) Difficult to assess after the event: some of the workers had expectations of a good working atmosphere as well as good wages and conditions, but very little more. However, the original group of workers probably expected to 'have a say', as they were encouraged to during the training week.
- (iii) Yes; the decision to send out work (section 4.1.2) the holiday pay issue (section 3.2.2) and the question of disciplinary procedure (section 2.1) are all cases - quite apart from confusions in relation to the steering committee.
- (iv) No, all the people interviewed referred to disillusion with what was happening, with the conflict and bad feeling, not expecting this to occur in a co-op.

These points expand the conclusion of the last section and so it seems clear that in some ways the co-operative structure was a source of complications and problems. Quite how significant these were compared to others one cannot tell - but in some respects, being a co-operative seems to have made things worse.

#### 4.2 The Co-operative Structure as an Unused Asset

This section examines the view that Neighbourhood Textiles failed not because it was a co-operative, but because it was not enough of a co-operative. This way of reconciling the outcome with the aspirations turns on the fact that the project failed to ensure some of the elementary preconditions for effective co-operation. Just as the introduction of, say, project teams, into an organisation, requires much more than simply appointing project leaders and calling meetings, so the creation of a viable co-operative structure requires associated organisational changes. In either case, if such associated changes are

overlooked the structure is so likely to be ineffective, that it cannot be said to have been seriously tried. On the other hand, the argument that 'co-operation did not fail, it was not really tried'; must not be over-used by setting such strict conditions for a 'real' test that success is pretty well guaranteed. The argument in this case is that certain basic requirements were lacking and that as a result the potential advantages of co-operation were not realised. The requirements I suggest are:

- (i) a fair measure of psychological ownership by members;
- (ii) an appropriate decision-making structure;
- (iii) a suitable information system;
- (iv) some programme to develop the decision-making and related skills of members
- (v) sufficient trust and respect to ensure conflicts are not immediately destructive.

An examination of Neighbourhood Textiles in relation to these five points suggest the extent to which the practice of co-operation was still-born.

With one or two exceptions the worker-members never psychologically 'owned' the enterprise: the steering committee set it up, the managers took over some of the responsibilities from the steering committee, and the steering committee held on to others. They (the workers) were not asked to put money in - just to turn up at meetings which other people seemed to control. Reference has already been made (2.1.8) to workers thinking that the co-operative was funded by 'the Council' and the Supervisor recounted the following incident: when her wages, as Supervisor, went up to £80 a week, she queried this with the Production Manager thinking the figure should be £100 to £110. He replied that the latter figure included National Insurance and tax. She discussed this with her husband that evening, who responded: 'if £100 is being claimed from the Council and you are only getting £80, what's happening to the difference.' Apparently the Supervisor who was one of the most involved and informed did not realise that 'the Council' (i.e. DoE) was only paying an initial capital grant and revenue subsidy (a considerable distrust of management is also clear). So notwithstanding the good start that was made in the first week it seems that only to a very limited extent did members understand and identify with the project. Towards the end the crisis seems to have affected attitudes - as, indeed, it affected productivity - and some members worked unpaid overtime. But for the most part, and when it really mattered, it was not experienced as 'their project'.

The second requirement was an appropriate decision-making structure, and following Paton (5) and Thomas (6) 'appropriate' can be judged in terms of:

- (i) involvement of members in decision, especially where members perceived interests were involved, and where urgency, technical complexity or other factors did not make it impractical or undesirable;
- (ii) clarity in the decision-making system, so that everyone knew who was involved and to what degree in what type of decision (e.g. whether people were making joint decisions, being consulted or just being informed).

Three issues will illustrate the way the decision-making structure deviated from what would be considered appropriate.

Recruitment of additional machinists: Apparently the Production Manager decided how many should be recruited and when - then he decided on particular applicants after consulting the Office Manager and Supervisor (who had interviewed them). Arguably, the decision as to how many to recruit, and when, should have been a steering committee decision, as it affected the spending of the Urban Programme subsidy. What seemed to have happened was that the Production Manager, after consulting the Management Consultant on the steering committee, about axing the van driver post, decided to recruit extra machinists in lieu of this and other personnel allowed for in the Urban Programme budget. One could make a strong argument that this was a decision for a meeting of the co-operative. It was not urgent, not particularly technical and it affected the interests of all members: the type of decision that would enable members to feel they were sharing responsibility, and that would introduce them to some business problems.

According to procedure agreed during the training week in January 1980 the decision as to who to recruit should have been a decision of a working group, including the Production Manager and the Supervisor. The implementation of this procedure by the Production Manager, as indicated above, was very different. Again, arguably, this decision was appropriate for member involvement: not too technical or urgent, a matter which affected their interests and gave them experience of responsibility (but not too many members at a time, for reasons of good interviewing practice). Lastly, it seems that the decision-making system was not clear - practice differed from the initial plan.

Holiday Pay: this issue and the way it was actually resolved was summarised in section 3.2.3. The issue could have been regarded in either of two ways: first, as a management decision, viewed as implementing an agreed general policy of tight financial control in a time of serious difficulties. But it is very doubtful whether even implicitly, such an agreed policy existed even in July, and the original arrangement on holiday pay had been recommended to the co-operative by the manager. Alternatively, it could be regarded as a member's decision

(for the same reasons as mentioned for the previous example)  
- indeed it was one for which it turned out the members possessed some of the relevant information.

Disciplinary Procedure: the strangely constituted 'decision-making committee' set up as an agency to exert discipline was discussed in section 2.1.5. It must have left members even less clear over who had authority on what. Arguably discipline in such a co-operative is a management responsibility but with members meeting agreeing any general policy and acting as court of appeal, especially in the event of dismissal. The committee, as it was composed, was so managerially dominated that it could not act as an appeal court, nor even appear as a vehicle for joint decision-making. So even if the attempt to involve the members in the discipline problem was sound, the means chosen were completely inappropriate.

These three examples are sufficient to call in question the appropriateness of the decision-making structure, which seems to have been arbitrary, inconsistent and unclear.

The third and fourth requirements for co-operation have already been dealt with. The information failures discussed in chapter 3. demonstrate the spectacular inadequacy of the information system of the co-operative; and the failure to continue, beyond the first week, a programme to develop understanding and skills relevant to member involvement, has also been mentioned (3.1. and 4.1.2). Indeed, one can argue that subsequent events demonstrated the scope and importance of such a programme in relation to

- running and taking part in meetings
- asking probing questions of management
- confronting difficult issues without generating a lot of bad feeling
- presenting financial information
- analysing (and changing) their own decision-making structure.

The final requirement was a degree of mutual respect and trust among those involved such that disagreements need not be threatening or automatically turn into confrontation. The point here is that some measure of conflict is inevitable and how such conflict is handled will be important, not just for the cohesion and commitment of the participants, but also (especially in a new enterprise) in terms of improved organisation and working methods. Dealing with criticism is seldom easy and the process need not always be smooth, swift, painless, and productive. But if the atmosphere is so frosty and defensive that nothing productive is likely to emerge, this is as effective a block to co-operation as structural inadequacies.

Distrust and defensiveness: in Neighbourhood Textiles, apparently conflict and criticism were not just very unpleasant but unproductive as well. Obviously at this distance explanations of how this came about can only be plausible speculations, but in very general terms it may help to think of a number of factors contributing to the rapid development of a 'defensive' climate in the organisation, one marked by diffuse feelings of anxiety, resentment and recrimination.

Among the more obvious and important of the contributing factors must be the personal qualities of senior staff those who may well be subject to criticism and whose conduct and interpersonal style inevitably set standards for others. And indeed there are grounds for believing that key staff at Neighbourhood Textiles were very defensive, reacting with hostility to criticism. For example, the Office Manager recalled an angry response from the Production Manager when she jokingly criticised his interviewing technique; my own and the Secretary to the steering committee's efforts to prompt the Production Manager to reconsider his approach to particular problems were singularly unsuccessful; and the Office Manager's defensiveness showed plainly through the minutes she wrote at two meetings, when her own actions had been questioned (e.g. the holiday pay issues).

However the trouble with such 'evidence' of personal defensiveness, is that it may simply reflect the defensive organisational climate it is supposed to explain. Perhaps in another context, these managers would have responded very differently. There is no need to choose between these two possibilities - they can both be true, in which case the situation was one in which the qualities and behaviour of key individuals, among other things, helped to generate an atmosphere of antagonisms and unwillingness to share responsibility - which then 'brought out the worst' in the individuals concerned. However it must be emphasised that other factors contributed to the deterioration in the organisational climate: the structural confusions in relation to the steering committee and the many tensions generated by inadequate production management were too much for people who had such a small reserve of shared experience to draw on and who had not been adequately prepared for the sort of stresses that arose. So the conditions that led to the collapse in social cohesion can be represented as in figure 2.

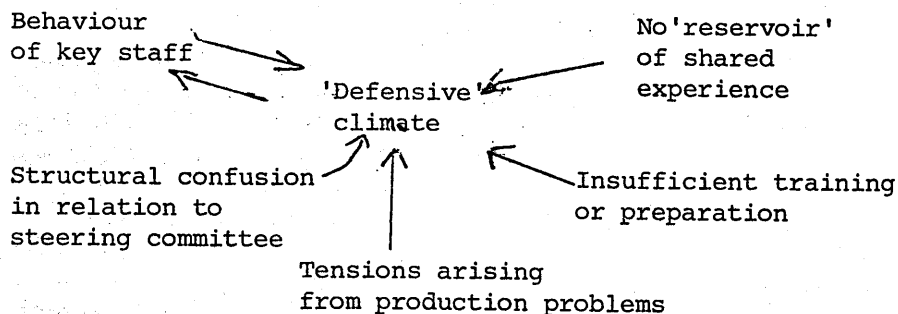


Figure 2



In summary, the argument of this section is that five basic requirements for developing an effective co-operative organisation were seriously lacking. However, even accepting this, one may still question whether, had there been more, and more effective, participation by worker-members, this would have prevented the collapse. How far and how fast would the practice of co-operation have had to evolve in order to resolve or compensate for what were difficult and deep-seated problems?

So it may be true that the co-operative framework was a potential asset that might have prevented or resolved some of the problems. But it is not easy to ensure that the necessary conditions (psychological ownership etc) are met to realise that asset - especially in the context of a co-operative set up 'from scratch, from above'.

#### 4.3 Conclusion

This chapter has considered two, apparently opposed, views of the contribution that 'being a co-operative' made - or did not make - to the collapse of Neighbourhood Textiles. On examination, both have some merit and they are not, in fact, incompatible. Indeed, a very simple conclusion would be that one of the reasons why the enterprise failed was because the particular conditions that emerged produced all the disadvantages of co-operation without any of the advantages.

## CHAPTER 5

### NEIGHBOURHOOD TEXTILES IN PERSPECTIVE

The purpose of this final chapter is to set the case of Neighbourhood Textiles in a wider perspective. It is not concerned with the detailed lessons that can be drawn and that are the subject of the Study Guide, but rather with some general issues about ventures of this sort. To this end it is instructive to compare Neighbourhood Textiles with two other projects. Although it was in a different industry (recycled wood products), Milkwood (7) had similar origins. It was set up by a community group, who recruited the workers and tried to hand it over to them to be run as a co-operative. The Garment Co-operative (8) was in the same industry (cut, make and trim textile work) but had a different origin, it was initiated by its workers.

Milkwood started without adequate funding (in particular to pay supervisory staff), had not obtained suitable or safe premises, had not planned their market research, costings or cash flow adequately, or done detailed production planning. Milkwood also started with much more ambitious and diverse aims - to do work of a socially useful nature, to provide opportunities for unemployed young people, to operate as a self-managed co-op as well as being a viable business. The founders saw their role as to experiment and monitor, rather than as providing active support. Yet they ended up meeting separately, excluding workers and supervisors from decisions. The fact that so many of their supervisors had problems with sobriety, honesty, basic competence, -etc., suggests lack of care in selection. Workers and supervisors both perceived the founders negatively - and nearly all found the project a totally negative experience. This is mentioned, not to pour scorn on the hapless Milkwood, but to show that Neighbourhood Textiles made a valiant attempt to do something very difficult: to set up a viable, self-managed co-operative 'from above'. The fact that the project failed should not obscure the formidable amount of work competently undertaken by the steering committee and the fact that the staff had many very definite strengths - even if they had some critical weaknesses. The steering committee was always perceived quite positively by the work force, and it always tried to play a practical supportive role - in areas such as training, marketing, and obtaining finance. And some of the workers went on, after the closure, to work which would earlier have been beyond their aspirations (e.g. two into the area of social or community work, one to setting up a housing co-op).

Milkwood, not surprisingly, failed. The Garment Co-operative survived - just about: even though it started with much less financial support and less access to expertise than Neighbourhood Textiles.

In the Garment Co-op, workers showed great commitment to the project. Involvement in meetings was high, the information flow was quite good - facilitated, interestingly, by the 'open plan' factory layout. (In Neighbourhood Textiles, by contrast, the managers had an office and workers felt decisions were being made 'behind closed doors'.) Workers learned to cope with conflict also: "always arguments, more than other places.... murderous rows...." but "it's not harmful, it's healthier, we have big rows then laugh all afternoon." They also made a success of group (i.e. small team) working. But, like Neighbourhood Textiles, they had the problem of finding a manager: someone who had all the varied skills required for running a small business - financial, marketing, production planning, supervision, etc., as well as the skills and attitudes required to promote co-operative working - e.g. encouraging meetings, organising training in decision-making, a willingness to reveal information, encouraging workers to share responsibility, ability to live with conflict, and so on. Workers expectations of management at the Garment Co-op compounded this management problem. It was expected that he spend his time on the shop floor - rather than away doing marketing work; that he should not be paid so much more than them - leading to recruitment problems; that he should only make routine decisions, leaving major decisions to co-op meetings - but decisions made at meetings were sometimes not implemented, often not monitored, sometimes reversed later.

So it should be clear that many of the problems that arose in Neighbourhood Textiles occur, in one form or another, in other co-operatives. Particularly for those aiming to promote a co-operative 'from above', the problems associated with recruiting suitable staff must be taken very seriously - as must be the management problems of the steering committee itself. It is not enough to hope one has found a manager to satisfy the exacting requirements of a co-operative, and then leave him or her to get on with it. A number of strategies could be considered:

- one might look, first and foremost, for people with the skills of facilitating co-operative working and decision-making, rather than the practical business skills (accepting that it's highly unlikely to find all the skills in one person). These practical skills - marketing, production planning, craft training, etc. - would then be brought in on a part-time or consultancy basis.
- one might take account of the management problem in planning the enterprise, for example by avoiding an early or rapid expansion and by tailoring the growth of the enterprise to its 'co-operative capacity'.
- one might plan for the introduction of a co-operative framework after the commercial basis was clearly established; at which point, too, there would be corresponding changes in management personnel.
- rather than recruiting a manager, part of the preparation for the project might include arranging for a suitable one to be available; so someone with a 'people' background (community work, trade union organising etc.) might study for a management diploma; or take a related job in the same line of business.

I do not want to advocate any of these in particular, or even to suggest that they are the only options. The point is simply that some explicit strategy be worked out - the problems associated with management in newly created co-operatives are too critical to be dealt with on the basis of 'see-how-we-get-on' and 'let's-hope-it-works-out'.

## Appendix

### My Role in the Project

I was not part of the initiating group (i.e. the Resources Group of the Neighbourhood Council), and therefore did not fully share in the 'ownership' of the initial idea. I was first invited in, as an interested individual Borough Council member, in July 1978, while the feasibility study was in progress. At this stage, I was quite enthusiastic about the idea of a community-initiated industrial venture; I shared the generally felt reservation that no potential workers were involved; I also had some anxieties about the economics of the textile industry (but was reassured by the consultants carrying out the feasibility study that the right specialist niche in the market could be profitable). I was nominated (by the leader of the Borough Council) as the Council member representative on the steering committee, when it was set up - October 1978. I consequently felt a political commitment to the project - my reputation, and the reputation of the Council, would be at stake. I decided to concentrate on those aspects of enterprise development in which I felt most competent - helping work out a decision-making system, the staff selection process, and training of staff for participation in decision-making. The role of financial monitoring, etc., I left largely to the Council officer representative on the steering committee.

I felt my involvement to be very time consuming - more than 50 meetings (formal and informal) spread out over two years. At many stages I felt I did not have the energy to put much commitment into it - I felt myself just 'wishing problems away', wishing the project to be set up and running smoothly as soon as possible, regarding myself as just playing a 'helpful' role rather than fully sharing in responsibility; and I was happy to leave real responsibility to those willing to take it on - mainly those from the initiating group and those who were paid for their work (Borough Council and Neighbourhood Council employees, and, later on, the co-op management).

How might all this affect this report? To answer this I should highlight a number of key events:

- I was on the selection panel that appointed the Production Manager (and I voted for him in a three to two decision against another candidate).
- I suggested to the Office Manager initially that she apply for the job.
- Initially, after their appointment, I was willing to seek out favourable evidence to justify their appointments - and more than once requested other steering committee members to show patience and understanding towards them.
- When things appeared to me to be going wrong (in May 1980 I tried to intervene privately with both the Production Manager and the Office Manager asking them to reflect on their situations and what they were learning, suggesting they seek outside support/counselling, offering to put them in touch with appropriate people. In neither case did I make any headway, and I felt rather frustrated with both myself and them.

- I was very unhappy about training for participating in co-operative decision-making not being continued after the first week - apparently because the co-op management showed no enthusiasm for it.
- I became very annoyed when the co-op management continually blamed the co-operative decision-making system for the projects failings - I felt increasingly that the problems were their skill limitations, and that they were scapegoating or externalising.
- I became aware that the selection process (for staff other than the Production Manager) was not as thorough as I had recommended at discussion meetings for the steering committee and through written notes - but was not fully aware at the time of the problems I now identify in the section on selection; I also felt somewhat guilty that I had not followed through my ideas more.
- I was over-ruled on the steering committee (Autumn 1979) when I had advocated that the enterprise should not be a 'pure workers co-op' but that it should have a management structure with outside representation. The main advocates who argued, and won, the case for a 'pure workers co-op' were the Production Manager and one steering committee member - one of the initiating group, who later became a most strident critic of the co-op management.

I would, therefore, suggest that the following may be among the main biases in this study:

- (i) almost to expurge my own guilt feeling, at not taking enough responsibility for the selection process, to find evidence that we made poor selection decisions;
- (ii) to demonstrate the skill limitations of the co-op managers, with whom I felt quite frustrated, and who I felt were externalising rather than looking at their own roles and weaknesses;
- (iii) to demonstrate the importance of interpersonal communication and participative decision-making skills, and the need for training in these - out of a feeling, partly, of 'I told you so'.
- (iv) to show that the 'pure workers co-op' management structure was unwise in that it gave too much power, in effect, to an untried management, again, partly out of 'I told you so'.

1. The focus is on commercial failure, as we emphasise in Section 1.4. For a useful discussion of the more general issues, see Thomas, A. "What is Meant by 'success' for Workers' Co-operatives?" Papers for Seventh Co-operative Seminar, Plunkett Foundation, Oxford, 1982
2. See the discussion of this point in Oakeshott, R. "The Case for Workers' Co-ops"
3. Quoted in Paton, R. "Fairblow Dynamics" C.R.U. Monograph No. 2 1978
4. See Paton, R. "Some Problems of Co-operative Organisation" C.R.U. Monograph No. 3 1978
5. ibid
6. Thomas, A. "Decision-Making in a Building/Plant Hire Co-operative: An Application of Checkland's 'Conceptual Model' Idea" in 'Progress in Cybernetics and Systems Research' ed Trapp R., Hanika, F., and Tomlinson, R., Hemisphere Publishing Corp. Washington D.C. 1982
7. Rhoades, R. "Milkwood Co-operative Ltd." Co-operatives Research Unit, The Open University 1980
8. Cornforth, C. "The Garment Co-operative: An experiment in Industrial Democracy and Business Creation" Co-operatives Research Unit, The Open University 1981.

## APPENDIX 2

### Intervention Styles

One classification of intervention styles is proposed by Heron (see Table 1). A skilled development worker would be able to use all of these authoritative or facilitative styles of intervention. (Catharsis to a lesser extent than the other styles - only to the extent of reducing tension between self and clients and thereby getting a more open energetic interaction. No doubt an understanding development worker will find clients 'opening up' on very personal issues: I feel it is important to clarify that this is a business relationship, and to refer him or her elsewhere if s/he needs personal counselling or therapy support).

I would add another category of intervention: direct help, which can sometimes be appropriate, as I suggest below.

In the first instance, the development worker needs the catalytic skills of listening and probing to identify, and get the clients to identify, the basic needs of the client group. I suggest the following:

#### Categorisation of Possible Needs of a Client Group:

- A. Resources - capital, subsidy, buildings, equipment, etc;
- B. Sufficient people to work in proposed project;
- C. Required craft or trade skills for the proposed enterprise;
- D. Business management skills, for setting out the sequence and priorities of the steps to be undertaken;
- E. Interpersonal communication skills and the attitudes required for teamwork, sharing responsibility, collective decision-making, handling conflict etc, particularly in a co-operative;
- F. Confidence.



Table 1.

INTERVENTION STYLES

AUTHORITATIVE

Prescriptive Give advice, be judgemental/critical/evaluative

Informative Be didactic, instruct/inform, interpret

Confronting Be challenging, give direct feedback

FACILITATIVE

Cathartic Release tensions in, encourage laughter/crying/  
trembling

Catalytic Be reflective, encourage self-directed problem-  
solving, elicit information from (includes  
ability to ask probing questions)

Supportive Be approving/confirming/validating

Table 2.

<u>Client Group Needs</u>	<u>Intervention</u>
A (more people) and/or	Catalytic: how would you go about recruiting...
B (required skills)	Informative: you can find other people by advertising... Direct help: we will advertise for more people for you in...
C (planning skills plus)	Informative: these are the basic steps in setting up a co-op
D (business management)  followed by	Prescriptive: you will need to draw up a plan with a timetable by.. Supportive: that's a thoroughly well-thought out plan... Catalytic: you agree the need to learn more about marketing and collective decision-making and to appreciate financial decision-making - but you want someone to do the books for you...  Informative/ Direct help: I will find out about suitable training courses and someone to provide a cheap book-keeping service...
E (Interpersonal skills, attitudes)	Confronting: I find the way you talk to your colleagues... and to secretary at reception, objectionable and unco-operative; I want an agreement to change this before we go any further...
F (Confidence)	Supportive: all of us at the agency are really impressed by... (specific features, achievements)... you can and will succeed...
Where Client Group Fails to Keep to Specific Agreement Made:	Confronting: I feel I cannot work with you on this basis.

### APPENDIX 3

#### A Model for the Development Worker as Process Consultant

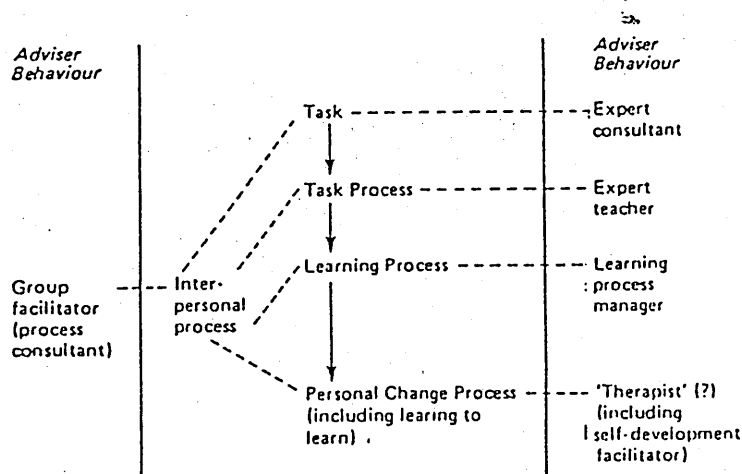
This model was developed by Burgoyne and Cunningham in the context of the 'set advisor' - the management consultant working non-directively with a workplace group of managers tackling real life management problems (it arose from the work of Reuen on 'Action Learning').

The model is shown in Figure 4 below, and I attempt to adapt it to the context of the development worker working with the client co-operative group.

The development worker as 'expert consultant' simply provides solutions to tasks; as 'expert teacher' s/he provides task solution finding procedures (e.g. how to do market research analyses) or procedures for handling interpersonal processes (e.g. for avoiding meetings 'going round in circles'); as 'learning process manager', - 'the advisor can attempt to structure and manage a learning process or situation in which participants can discover for themselves ways of dealing with both the task and interpersonal aspects of their situations' - 'in which they invent, try out, and evaluate some task solving processes for themselves, or review their own group working, propose new conventions and norms and try them out'.

The development worker as 'therapist' tries to 'manage a "learning to learn" process by encouraging the group to try out different learning/discovery procedures for themselves', both in relation to tasks and interpersonal processes.

Figure 4.



This model and the role it incorporates for the development worker, is obviously radically at variance with expectations of client groups from CSOs and their workers: assistance with basic business skills and resources is all the evaluation studies found.

But, the 'professional-client' contract negotiation model implies that the professional has to do more than respond to expectations. Just as Hardy and others, referring to management training and development generally, point out the importance of going beyond 'presenting needs' and identifying underlying needs, if the trainer/developer is to perform a competent job.

But also, the 'professional' cannot go beyond what the client agrees, using the contract negotiation model. As Burgoyne and Cunningham point out, the advisor can only go as deep (in terms of process levels) as client members will allow - i.e. as is negotiated. Negotiating with the client group the depth or level at which to operate and intervene is an essential aspect of the skill of the development worker.

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